IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Serial No.:	09/611,548	Confirmation No.:	6763
Applicant:	Douglas G. Lowenstein, et al.		
Title:	FINANCING OF TENANT IMPROVEMENTS		
Filed:	July 7, 2000		
Art Unit:	3691		
Examiner:	Narayanswamy Subramanian		
Atty. Docket:	1906-3-Polestar		
Customer No.	68536		

AMENDMENT AND REPLY TO OFFICE ACTION FOR ENTRY UNDER 44 U.S.C. § 3512 AND 5 C.F.R. § 1320.6, OR FOR ENTRY UNDER 37 C.F.R. § 1.111 OR § 41.33, OR IN THE ALTERNATIVE, APPEAL BRIEF

Mail Stop Amendment
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

This is a further reply to the Examiner's paper of October 3, 2008, or alternatively, as explained below, a Reply Brief depending on ultimate decision on a Petition to Withdraw Premature Final Rejection of July 6, 2009 (attached as Exhibit 4). The arguments in that petition are also incorporated herein by reference, and the Board should review and consider them. Because of the Office's delay in enforcing its own procedures and delay in deciding this Petition, the status of the case is confused. The issues would be simplified if the Board would remand the case back to the Examiner for further prosecution, and instruct the Examiner to apply the law as

I certify that this correspondence, along with any documents referred to therein, is being deposited with the United States Postal Service on November 5, 2009 as First Class Mail in an envelope with sufficient postage addressed to Mail Stop Amendment, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

it appears in the Office's validly-promulgated written documents.[1] The Board may remand the case back to the examiner on any one of three bases: the Board may determine that the Examiner's papers are so flawed as to not perfect the Board's jurisdiction, or that the rejection was not properly final, or by exercising the PTO's authority to relax its procedural rules in order to accomplish the "orderly transaction of business"[2] and procedurally simplify this case. If the application were returned to the Examiner with instructions to examine the case under predictable procedural standards, the current status and future proceedings would be less confused and less complex for everyone, and Applicants will not suffer the continued compromise of procedural and patent rights.

If the July 2009 Petition is denied on grounds that do not reflect legally-trained analysis, the procedural mess will be presented to the Board. The Board will be forced to address normally-petitionable issues,[3] and deal with a confused Office Action, in which the Examiner rewrites the law of definiteness, utility, and subject matter, with major departures from the MPEP, Office guidance, and the case law. The Board will be forced to sort out roughly three dozen violations of the Administrative Procedure Act, Paperwork Reduction Act, and several Executive Orders. The Board should remand so that these issues are addressed in first instance by the parts of the PTO with the duty to do so.

The Examiner's paper of October 3, 2008 violated a host of PTO regulations, and therefore under the Administrative Procedure Act, the Examiner's papers are "illegal and of no effect,"[4] and raises no rejections—thus the Board's jurisdiction is questionable.

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[1] Examples of such remands include *Ex parte Braeken*, 54 USPQ2d 1110 (BPAI 1999) and *Ex parte Gambogi*, 62 USPQ2d 1209, 1213 (BPAI 2001).

[2] See footnote 14 and § IV.B at page 19, below.

[3] *In re Searles*, 422 F.2d 431, 435, 164 USPQ 623, 626 (CCPA 1970) (after a legally-flawed disposition of a petition, the identical issue was presented to the Board, and the CCPA held that the Board was required to consider it, if the issue relates at least indirectly to claims and review "required the exercise of technical skill and legal judgment"); *Ex parte Gifford*, Appeal No. 1998-0631, http://des.uspto.gov/Foia/ReterivePdf?system= BPAI&flNm=fd980631, 2002 WL 1801267 at *5 (BPAI May 9, 2001) (non-precedential) (after an unsatisfactory disposition by petition, the Board concludes "Accordingly, if Appellant is to get any meaningful review of the Examiner's action it must be by us.")

[4] This is discussed further in § VII.A.4 at page 26 of this paper.

Additionally, the legal standard to be applied is currently in flux, in view of *Bilski v. Kappos* currently pending at the Supreme Court.

For all these reasons, the application is not ripe for appeal, and should be remanded to the Examiner with instructions remitting the Examiner to the supervisory authority of the Director to "cause an examination to be made" so that it can be determined whether Applicants are "entitled to patent under the law," 35 U.S.C. § 131. The amendments presented in Claim Appendix Two to this paper should be entered.

Even if the appeal is allowed to go forward, the amendments in Claim Appendix Two must be entered for appeal, as discussed in §§ III.B and III.C starting at 12.

This paper is timely filed. The Examiner's paper of October 3, 2008 was prematurely final, and the time for reply was satisfied in March 2009 when a response was filed March 4, 2009. No time period is running, no further extension of time is required, and this paper (particularly the amendments of Claims Appendix Two) may be entered under 37 C.F.R. § 1.111 as of right with no extension of time. If the paper is an additional reply to non-final Office Action, no extensions are needed since all deadlines were met by the March 4, 2009 response. If this is a Reply Brief, an extension of time is requested in the following paragraphs. Thus, this paper is timely regardless of the status of proceedings. All fees including fees for appeal and extensions of time are authorized below to be charged to a deposit account.

PETITION FOR EXTENSION OF TIME ONLY IN THE EVENT THAT A PETITION FOR WITHDRAWAL OF PREMATURE FINALITY IS DENIED

Only in the event that the Petition filed July 6, 2009 and further Petition to the Director is denied, ***and*** the Deputy Commissioner for Examination Policy or Director of the Office of Patent Legal Administration give signed justification and concurrence[5] that the departures from

[5] This request for signature of the Deputy Commissioner or OPLA arises pursuant to instructions of the President of the United States instructed the Examiner that he was only permitted to depart from MPEP §§ 794.01, 710.06 and 2107 only with "justification and supervisory concurrence." *Good Guidance Bulletin* (full cite in footnote 7) § II(1)(b). The PTO has the authority to delegate the power to grant "supervisory concurrence" to lower officials, so long as that delegation is displayed on the PTO's web site. The PTO's web site reflects no such delegation. Because there is no such delegation, it

MPEP procedure in the Examiner's paper of October 3, 2008 were authorized and that the October 2008 paper was properly final in spite of the defects noted, Applicant petitions for such extension of time to file an Appeal Brief. The Decision on the Pre-Appeal Brief of April 3, 2009 was dated May 5, 2009, set a one month deadline, and the time for filing the Appeal Brief with five month extensions under 37 CFR 1.136 extends through November 5, 2009. Only if and when the PTO gives the sign-off for the Examiner's departure from guidance in the manner discussed in footnote 5, kindly charge the petition fee for a five month extension of time for a small entity of $1,175.00 to Deposit Account No. 50-3219, Order No. 1906-3-Polestar.

Only in the event that the Petition filed July 6, 2009 and further Petition to the Director are denied, and ***if and only if*** the PTO gives the sign-off for the Examiner's departure from guidance in the manner discussed in footnote 5, then this paper is an Appeal Brief. In that case and only in that case, kindly charge the Appeal Brief fee of $270.00 to Deposit Account No. 50-3219, Order No. 1906-3-Polestar.

CONDITIONAL APPEAL BRIEF

Only in the event that the Petition filed July 6, 2009 and further Petition to the Director are denied, and if and only if the Technology Center Director signs off that the Examiner's paper of October 3, 2008 was a validly-issued paper and properly final in spite of the defects noted, then this paper is an Appeal Brief. The Board should remand the application to the Examiner pursuant to *Ex parte Braeken*, 54 USPQ2d 1110 (BPAI 1999).

AMENDMENTS TO THE CLAIMS begin at page begin on page 81 of this paper.

REMARKS/ARGUMENTS begin on page 8 of this paper.

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appears that waivers from MPEP procedures can only be authorized by those who have authority over the MPEP itself, which appear to be the Deputy Commissioner for Examination Policy or Director of the Office of Patent Legal Administration (or further higher-up officials) personally. The PTO has the authority to delegate of course, but that delegation must be in writing. Applicant waives retroactivity concerns on this issue—if the PTO belatedly complies with the President's instructions, Applicant will accept a sign-off from a validly-appointed Good Guidance officer lower than these two officials.

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Exhibits in Evidence Appendix:

Exhibit 1 Affidavit of Douglas Lowenstein

Exhibit 2 Financial Accounting Standards Board, FASB-13, *Accounting for Leases*

Exhibit 3 Executive Office of the President, "Final Bulletin for Agency Good Guidance Practices," OMB Memorandum M-07-07 (January 18, 2007)

Exhibit 4 Petition to Vacate Restriction Requirement and to Vacate Final Rejection, July 6, 2009

REMARKS/ARGUMENTS

Because of repeated refusals by the Examiner to follow MPEP procedure, the status of this case is in dispute. Under the law, the status is clear that there is no final rejection, all claims currently stand for examination without restriction, and amendments may be freely entered. The Examiner has been presented with block quotes from the MPEP requiring him to proceed as outlined above; the Examiner flatly refuses, stating that he considers the MPEP not to be "proper examination procedure."[6]

Applicants request examination of the application pursuant to the PTO's published guidance, and note that the Office Action of October 3, 2008 was issued in breach of PTO rules. Applicants respectfully urge the Examiner to stop making up new rules on the fly, and to stop creating excuses for not following the written procedures in the MPEP. Progress of this application has been delayed for ***years*** by several examiners' refusal to follow the PTO's official procedure. Applicant has repeatedly drawn attention to instructions from the Director of the PTO and from the President,[7] instructions that specifically bar many of the actions the Examiner has taken in this application. Examiners are absolutely bound by the written words of the MPEP. The MPEP has no binding effect on applicants. Obsolete memos to the examining corps for which the PTO did not observe the requirements of the Administrative Procedure Act, the Paperwork Reduction Act, or several Executive Orders, are not enforceable against Applicant. Examiner Subramanian insists in his authority to overrule the President and the Director. He refuses to answer all material traversed, and gives no answer or explanation for how his actions conform to the law. Instead, Examiner Subramanian elevates his personal opinion over the

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[6] Compare MPEP § 704.01 (examiner should do no further search when—on the facts as the Examiner concedes them to be—an application is in the condition of this one) *with* Advisory Action of May 5, 2009, §¶ 11, line 10 (Examiner overrules MPEP § 704.01 by asserting his personal opinion of "proper examination procedure").

[7] Executive Office of the President, "Final Bulletin for Agency Good Guidance Practices" (OMB Memorandum M-07-07, January 18, 2007, http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf), 72 Fed. Reg. 3432 (Jan. 25, 2007) attached as Exhibit 3; and "Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices" (OMB Memorandum M-07-13, April 25, 2007, http://www.whitehouse.gov/omb/ memoranda/fy2007/m07-13.pdf).

MPEP, insisting that his idea of "proper examination procedure" prevails even when his opinion is 180° opposite to the MPEP. That is not examination, that is "arbitrary and capricious" agency conduct.

The complexity of this case arises solely out of several examiners' caprice. This attorney cannot allow the client's rights to be sacrificed to mere Examiner opinion. Thus, when previous examiners expressed counterfactual views of the nature of a "lease," Applicant had to leave certain claims unaltered for various legal reasons, but nonetheless added new claims to accommodate the examiners' views. When Examiner Subramanian insisted that he preferred claims with "short paragraphs" and several other preferences discussed in § III.A at page 11 of this paper, Applicant added new claims to accommodate the Examiner's preferences. When Examiner Subramanian insisted that he need not follow the provisions of Chapter 800 and MPEP §§ 704.01 and 710.06, this attorney has been forced to pursue several simultaneous procedural avenues simultaneously. Then Examiner Subramanian refuses to answer all material traversed when the errors are brought to his attention. Applicants' attorney must pursue two courses simultaneously, one directed to pursuing those rights guaranteed to applicants by law, and a parallel track to accommodate Examiner Subramanian's personal-but-unauthorized views. Thus, because of discrepancies between the Examiner and the MPEP, the status of this application has become absurdly complex.

This paper is Applicant's best effort to advance the application forward within the bounds of the law. Applicant submits that procedural law compels that this paper be entered as a routine amendment, and that examination commence on that basis.

Nonetheless, in the alternative that after full adjudication of petitions directed to procedural failure it is determined that prosecution was properly closed, Applicant submits this paper as an Appeal Brief. But even in that instance, many of the PTO's published rules are unenforceable because the PTO never complied with the Paperwork Reduction Act, and the Amendments of Claims Appendix Two must be entered. If this paper is an Appeal Brief, it fully complies with all rules that the PTO has clearance to enforce.

I. Real party in interest

The real party in interest is Polestar Capital Associates, L.L.C. of New York, N.Y., a closely-held, private company.

II. Related appeals and interferences

Applicant is unaware of any related appeals or interferences.

III. Status of claims

The Status of Claims is in dispute. Applicants' maintain that Claims 1-181 are pending for examination, that any restriction was improper, and final rejection was premature. In contrast, the Examiner says that claims 28-30, 53-55 and 60-73 are withdrawn by restriction.

The Examiner expresses a view of the status of the claims that has no basis in any law, and that is in direct conflict with the instructions from the Director of the PTO, instructions from the President, Congressional statutes, and Federal Circuit interpretations of statute. Under the law, no claims have been properly restricted. An undecided Petition on the issue of the correctness of the Restriction Requirement and Premature Finality was filed July 6, 2009 and is attached as Exhibit 4.

Applicants maintain that under the law, claims 1-181 are pending for examination, and final rejection was premature. In contrast, the Examiner says that claims 28-30, 53-55 and 60-73 are withdrawn by restriction, even though the Examiner refuses to use the MPEP form paragraphs and cannot make the showings required by those paragraphs, and the Examiner identifies no reason other than his personal opinion for refusing to follow MPEP § 704.01 and the Administrative Procedure Act, to give "full faith and credit" to the decision of two previous examiners ***not*** to divide. The Examiner insists that rejection is final, even though he disagrees with none of the factual showings or legal reasoning provided in Applicant's papers. Instead of considering whether final rejection is premature, the Examiner observes that proposed amendments "raise new issues," oblivious to the simple legal fact that amendments raising new issues may not be refused if final rejection was premature.

A. The complexity and uncertainty of status arise solely because of the Examiner's and PTO's failure to observe procedural law –Applicant should not bear the costs of the PTO's procedural failures

Applicants attempted to resolve many of these issues in interviews with Examiner Subramanian and papers filed between early 2008 through July 2009. The undersigned emailed him proposed claim amendments and later added claims in the filed papers attempting to satisfy the Examiner's non-statutory preferences. The Examiner expressed a number of personal preferences: that have no grounding in law. For example, he stated that he wanted the claims framed in many short paragraphs instead of fewer long paragraphs, that he wanted "positive recitation" (without explaining what that term means in the patent law), etc. Now, in the Action of October 2008, Paragraph 6 purports to raise a § 101 "utility" rejection, but bears no similarity whatsoever to the utility analysis set out in MPEP § 2107 or any Federal Circuit law.

To meet the Examiner's ever-changing, always-surprising, arbitrary and capricious unwritten preferences, Applicant has attempted to meet the Examiner's preferences, without sacrificing claim coverage. To attempt to accommodate the Examiner's arbitrary preferences, Applicant has been forced to add a huge number of claims, in hopes of finding some claims that will placate the Examiner's non-statutory preferences, and avoid all his fanciful grounds to reject.

The complexity of this application is due entirely to the previous examiners' and Examiner Subramanian's unpredictability. Applicant has borne huge costs to attempt to meet the examiners' arbitrary caprice. Because the examiners have refused to be bound by procedures such as MPEP §§ 704.01 and 710.06, and restriction practice as set out in MPEP Chapter 800, and claims procedure set forth in Chapter 2100, the PTO must permit Applicants corresponding leeway. To do otherwise would be to apply a double standard, where the PTO can make up arbitrary rules on the spot, but applicants are denied a fair opportunity to respond.[8]

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[8] The PTO is required to perform examination "in a fair, impartial and equitable manner." 35 U.S.C. § 2(a), § 131.

B. Because of PTO neglect of procedural law, no final rejection is standing, all claims are pending and stand for examination, and any rejections have lapsed and if raised, must be raised anew

1. The Examiner violated restriction procedure

In the MPEP Chapter 800, the Director sets forth the procedures to be used in restricting applications. The Examiner apparently disagrees with the Director. The Examiner insists that he has authority to impose a restriction on grounds that are irreconcilably inconsistent with the MPEP, that at best arise under an obsolete memo that the PTO never put through the procedures required under the Administrative Procedure Act, the Paperwork Reduction Act, or several Executive Orders. The Examiner's restriction procedures violate even the obsolete memo.

The Director gives instructions to a new examiner taking over from an old examiner in MPEP § 704.01. That provision requires Examienr Subramanian to give "full faith and credit" to the previous examiner's decision ***not*** to restrict. When Applicants asked the Examiner to follow MPEP § 704.01, the Examiner stated that he regarded MPEP § 704.01 as not "proper examination policy."[9] The Examiner does not explain any supervisory approval he obtained to overrule MPEP guidance, he simply ***refuses*** to follow it. Thus, there is a dispute between the Director and the Examiner as to "proper examination policy," and this disagreement is expressed in a disagreement as to which claims are pending.

2. The Examiner violated final rejection procedure

The Director's instructions in MPEP § 710.06 provide that the Action of October 3, 2008 was only a remailing of the non-final Action of November 2006, as more fully explained in Applicants' paper of May 1, 2007. The Examiner has never explained any basis for his disagreement with the Director or MPEP § 710.06, he simply refuses to follow the MPEP.

With respect to the issue of the finality of rejection, the Federal Circuit has defined the term "new ground of rejection" to include things that the Examiner did here, and that therefore foreclose final rejection. The Examiner apparently disagrees with the Federal Circuit, but does not explain the basis for his disagreement, he simply refuses to follow the law without

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[9] Advisory Action of May 5, 2009, ¶ 11, line 10.

explanation. This is another breach of procedural law that results in the Examiner's last paper being "illegal and of no effect." (See § VII.A.4 at page 26).

3. The Examiner violates statutes regarding legal sources that may be cited against applicants

Congress and the President have instructed that agencies are not to rely on non-precedential agency decisions against any party except the agency, and are not to enforce guidance documents like the MPEP against applicants as if they had force of law. The Examiner apparently disagrees with Congress and the President, and has raised issues on forbidden grounds, relying on bases that are specifically forbidden by statute and Presidential order. Until Congress revises 5 U.S.C. § 552(a) to permit an agency to "adversely affect" a member of the public based on a non-precedential decision or dissent of the Board, or on a staff manual, and the President withdraws the Good Guidance Bulletin (Exhibit 3), no claims are procedurally rejected.

4. Because of these violations, the status of the claims is that 1-181 are pending, as amended in Claims Appendix Two

The Examiner's inappropriate apparent insubordination and disagreements with the Director have been presented in the Petition of July 6, 2009 (Exhibit 4). Until that Petition is resolved, and only in the event that the Director decides to amend MPEP §§ 704.01, 710.06 and Chapter 800 to conform to the Examiner's view of "proper examination policy," the status of the claims is that no claims are withdrawn by restriction, and no claims are finally rejected.

Claims 1-181 are now pending, a total of 181 claims. The amendments presented in Claims Appendix Two to this paper must be entered. Claims 1, 2, 28, 31, 53, 56, 60, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179, 180, and 181 are independent.

C. All rejections lapsed when the Office failed to complete its obligations under the Administrative Procedure Act, particularly 5 U.S.C. § 555(e) in May 2009

Under the principles of administrative law discussed in §§ VII.A.4 and III.C below, due to several procedural lapses of the Examiner discussed in this brief, no agency action is currently properly standing, and therefore no claims are currently properly rejected.[10]

To consider one example, the uninformative "checkbox" in the "Notice of Panel Decision from Pre-Appeal Brief Review" (May 5, 2009), denying the request with *no discussion whatsoever*, violated 5 U.S.C. § 555(e). Without a statement of the PTO's position on the issues raised in the Pre-Appeal Brief of April 3, 2009, Applicant's ability to present the relevant issues in this appeal has been compromised, and all rejections lapsed. Section 555(e) of the Administrative Procedure Act reads as follows in pertinent part:

5 U.S.C. § 555 Ancillary matters.

> (e) ... Except in affirming a prior denial or when the denial is self-explanatory, the notice shall be accompanied by a brief statement of the grounds for denial.

The "brief statement of grounds" must satisfy *State Farm* criteria for avoiding "arbitrary and capricious" adjudication, and set forth reasons sufficiently to show "reasoned decisionmaking:"[11]

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[10] The Board's precedent holds that the Board has "twice rejected" jurisdiction "so long as the applicant has twice been denied a patent", even if no specific *claim* is twice rejected. *Ex parte Lemoine*, 46 USPQ2d 1420, 1423 (BPAI 1994). Past experience has made *very* clear that Technology Center Directors and the Office of Petitions *adamantly* refuse to entertain petitions requesting supervisory authority and oversight over an examiner who examines outside the rules and outside scope of authority delegated to examiners. Even petitions directed to premature final rejection based on failure to timely examine are dismissed on subject matter grounds. Therefore it would be futile to petition the Examiner's failure to examine.

[11] *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731, 736–37 (D.C. Cir. 2001) (citations, quotations, and footnotes omitted); *see also Dr. Pepper/Seven-Up Companies Inc. v. Federal Trade Comm'n*, 991 F.2d 859, 864–65 (D.C. Cir. 1993) (agency's "conclusory dismissal" that failed to consider key evidence and a key claim was "wholly inadequate" and "leaves too many questions unanswered to qualify as reasoned decisionmaking," *citing Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 419 (1971)); *Moon v. U.S. Dep't of Labor*, 727 F.2d 1315, 1318 (D.C. Cir. 1984) ("To fulfill its function under any appropriate standard of review, however, a court must be able to ascertain the reasons for an agency's decision. We cannot determine whether an agency has acted correctly unless we are told what factors are important and why they are relevant. Therefore, an agency must provide a reasoned explanation for its actions and articulate with some clarity the standards that governed its decision."); *Arnold v. Sec'y of Health Educ. & Welfare*, 567 F.2d 258, 259 (4th Cir.1977) ("Unless the [ALJ] has analyzed all evidence and has sufficiently explained the weight he has given to obviously probative exhibits, to say that his decision is supported by substantial evidence approaches an abdication of the court's duty to scrutinize the record as a whole to determine whether the conclusions

> … At a minimum, that standard requires the agency to "examine the relevant data and articulate a satisfactory explanation for its action including a 'rational connection between the facts found and the choice made.'…
>
> A "fundamental" requirement of administrative law is that an agency "set forth its reasons" for decision; an agency's failure to do so constitutes arbitrary and capricious agency action. … This requirement not only ensures the agency's careful consideration of such requests, but also gives parties the opportunity to apprise the agency of any errors it may have made and, if the agency persists in its decision, facilitates judicial review. Although nothing more than a "brief statement" is necessary, the core requirement is that the agency explain "why it chose to do what it did."
>
> The DEA's letter … does not meet the APA standard. The letter says nothing other than that the "Affidavit of Indigency you submitted in lieu of a cost bond is not adequately supported." … That is not a statement of reasoning, but of conclusion. It does not "articulate a satisfactory explanation" for the agency's action, because it does not explain "why" the DEA regarded [the] affidavit as unsupported. Nor are the grounds for denying [the] application . . . "self-explanatory," 5 U.S.C. § 555(e), since the [agency stated no rebuttal to the affidavit's showings of fact]. The letter thus provides no basis upon which we could conclude that it was the product of reasoned decisionmaking.

Here, Applicants filed a "petition or other request … in connection with" this proceeding, namely the Pre-Appeal Brief of April 3, 2009, which raised several specific issues. The Office replied with only two non-informative checkboxes in a Pre-Appeal Decision:

> 2. ☒ **Proceed to Board of Patent Appeals and Interferences** – A Pre-Appeal Brief conference has been held. The application remains under appeal because there is at least one actual issue for appeal. Applicant is required to submit an appeal brief in accordance with 37 CFR 41.37. The time period for filing an appeal brief will be reset to be one month from mailing this decision, or the balance of the two-month time period running from the receipt of the notice of appeal, whichever is greater. Further, the time period for filing of the appeal brief is extendible under 37 CFR 1.136 based upon the mail date of this decision or the receipt date of the notice of appeal, as applicable.
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> ☒ The panel has determined the status of the claim(s) is as follows:
> Claim(s) allowed: _____.
> Claim(s) objected to: _____.
> Claim(s) rejected: 1-27, 31-52, 56-59 and 74-181.
> Claim(s) withdrawn from consideration: 28-30,53-55 and 60-73.

The PTO made no attempt to "examine the relevant data or articulate a satisfactory explanation"[12] for the issues raised the Pre-Appeal Brief, and did not contest the showings that the Examiner totally ignored many provisions of the MPEP and therefore acted outside any authority he might have from the PTO. Because the PTO did not contest these issues when it was required to do so, all rejections have procedurally lapsed. No claims are currently rejected. Amendments may be freely entered. Any future rejection will necessarily be "new grounds of rejection" that trigger all rights appurtenant thereto.

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reached are rational"), *quoted in Dante Coal Co. v. Director, Office of Workers' Compensation Programs*, 164 Fed. Appx. 338, 345 (4th Cir. 2006) (unpublished)

[12] *Tourus Records*, 259 F.3d at 736–37, and further cases in footnote 11.

The PTO is free to reinstate the rejections by simply providing a proper Pre-Appeal decision, and a complete Office Action that considers all issues. But that is not the situation today. The Board should remand in the manner of *Ex parte Braeken*, 54 USPQ2d 1110 (BPAI 1999).

D. Claims as now pending

A complete copy of the claims as now amended is attached hereto as an Appendix.

Claims Appendix One shows the claims as amended November 26, 2007.

Claims Appendix Two amends the claims as they should be considered for further prosecution or for appeal after entry as of right since the claims were never properly finally rejected, and the PTO has no clearance under the Paperwork Reduction Act to refuse them.

IV. Status of Amendments

The amendment in this paper (Claims Appendix Two) is the only amendment presented after the Examiner's paper of October 3, 2008. This amendment may not be refused entry because:

- No proper final rejection stands against the application, for reasons discussed in Applicant's "Petition to Vacate Restriction Requirement and to Vacate Final Rejection" of July 6, 2009. If any element of that Petition is granted, then this appeal is dissolved, and the amendments are freely entered under 37 C.F.R. § 1.111. The arguments of the July 2009 Petition are incorporated by reference into this paper, and the Petition is attached as Exhibit 4.
- As discussed in § IV.A at page 17 of this paper, the PTO does not have clearance under the Paperwork Reduction Act to exclude entry of the amendment presented herewith. Rules issued by the White House require agencies to accept filings such as the claim amendments presented here so long as they are presented "in any reasonable manner." 5 C.F.R. § 1320.6(c). These amendments are presented in a "reasonable" effort to satisfy the requirements of Title 35, and must therefore be entered.
- The Amendments should be entered because the PTO has been lax in observing the procedural requirements that apply to the Office, and cannot inequitably hold applicant to the strict letter of the law, especially when applicant's ability to comply has been materially harmed by the PTO's procedural failures. See § IV.B at page 19.
- These amendments are presented reasonably promptly after the PTO "changed the rules of the game" by issuing "New Interim Patent Subject Matter eligibility Examination Instructions" on August 24, 2009.

A. Amendments may be freely made because the Office never sought, let alone obtained, Paperwork Reduction Act clearance to enforce 37 C.F.R. § 1.116 or § 41.33

The amendment filed herewith must be admitted pursuant to 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6. The Paperwork Reduction Act, 44 U.S.C. § 3501 *et seq.* requires that if an agency does not have a valid OMB control number, the agency cannot enforce any provision relating to submission or form of information to be collected:

> **44 U.S.C. § 3512. Public protection**
>
> (a) Notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information that is subject to this subchapter if—
>
> (1) the collection of information does not display a valid control number assigned by the Director in accordance with this subchapter; or
>
> (2) the agency fails to inform the person who is to respond to the collection of information that such person is not required to respond to the collection of information unless it displays a valid control number.
>
> (b) The protection provided by this section may be raised in the form of a complete defense, bar, or otherwise at any time during the agency administrative process or judicial action applicable thereto.

The implementing regulation, 5 C.F.R. § 1320.6, adds a provision, that if information is required for receipt of a benefit, the person submitting the information may provide the information in "any reasonable manner:"

> **5 C.F.R. § 1320.6 Public protection.**
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> (c) Whenever an agency has imposed a collection of information as a means for proving or satisfying a condition for the receipt of a benefit ..., and the collection of information does not display a currently valid OMB control number or inform the potential persons who are to respond to the collection of information, ... the agency shall not treat a person's failure to comply, in and of itself, as grounds for withholding the benefit or imposing the penalty. The agency shall instead permit respondents to prove or satisfy the legal conditions in any other reasonable manner.
>
> (d) Whenever a member of the public is protected from imposition of a penalty under this section for failure to comply with a collection of information, such penalty may not be imposed by an agency directly, by an agency through judicial process, or by any other person through administrative or judicial process. . .

The PTO has never obtained clearance under the Paperwork Reduction Act for 37 C.F.R. § 1.116, 37 C.F.R. § 41.33 or § 41.37(c)(ix).[13] Appellant notes that the PTO has never even sought Paperwork Reduction Act clearance for the 2004 appeal rules, let alone obtained it. Therefore, pursuant to 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, the PTO may not enforce any rule that would exclude this amendment, and must permit appellants to submit information "in any ... reasonable manner." Amendments may therefore be freely made "at any time," 44 U.S.C. § 3512, 5 C.F.R. § 1320.6, with no limit imposed by § 1.116 or § 41.33.

If the PTO objects to entry of the amendment, the PTO must answer all five of the following questions:

- Where and when did the PTO publish objective estimates of burden for the information collections in §§ 1.116, 41.33 and 41.37, and when did the PTO seek comment on those estimates, as required by 44 U.S.C. § 3506(c)(2)(A) and (B)?
- What is the valid OMB control number applicable to the information collections embodied in §§ 1.116, 41.33 and 41.37 (particularly petitions for entry of amendments when an examiner wrongfully denies entry of the amendment), and what is its expiration date?
- What is the OMB ICR submission number covering the information collection of §§ 1.116, 41.33 and 41.37, and what table line item in the Information Collection Supporting Statement for that ICR submission is applicable to §§ 1.116, 41.33 and 41.37? Alternatively, what line item in an OMB Notice of Action approval covers §§ 1.116, 41.33 and 41.37?
- Where is the control number "displayed" in the manner required by 44 U.S.C. § 3512(a)(2)?
- Where did the PTO inform the public that it is not required to comply, unless the PTO displays a valid control number, as required by § 3512(a)(2)?

[13] *See, e.g.*, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Delay of Effective and Applicability Dates, 73 FR 74972 (December 10, 2008) (OMB denied Paperwork clearance for 2008 Appeal Rules); Rules of Practice Before the Board of Patent Appeals and Interferences, 73 FR 49960, 49996 (Aug. 12, 2004) (noting that clearance had only been obtained for the Notice of Appeal form, and for no other information submitted during appeals); OMB Notice of Action 0651-0031 (July 1, 2009) (listing all prosecution-related filings for which PTO had obtained clearance, PTO only requests clearance for Notices of Appeal, Pre-Appeal Briefs, and Requests for Oral Hearings). Neither 37 C.F.R. § 1.111, § 1.116, nor § 41.33 are mentioned All other rules relating to all other aspects of appeals (form or content of appeal briefs, etc.) are unenforceable, because the PTO has never even tried to obtain Paperwork clearance.

Unless the PTO can point to papers filed at OMB that present at least a *prima facie* compliance with these requirements of law, the PTO lacks authority to deny entry to the amendment of Claims Appendix Two.

If this paper is a Reply to Office Action, then of course the amendments must be admitted as a routine amendment. If this paper is either a reply to Final Action or an Appeal Brief, then the Office must accept it because it is a "reasonable" response to the new issues the Examiner raised in his paper of October 3, 2008, and it is a reasonable response to the Examiner's refusal to follow PTO guidance, and reasonable in light of the PTO's failure to decide the Petition filed on July 6, 2009, which would have clarified the procedural status of the application.

B. The amendments of Claim Appendix Two should be entered because the non-resolution of status is the Patent Office's delay

The Supreme Court has noted that "It is always within the discretion of … an administrative agency to relax or modify its procedural rules adopted for the orderly transaction of business before it when in a given case the ends of justice require it."[14]

A Petition to clarify issues of final rejection and which claims are pending was filed on July 6, 2009. It has not been decided at this writing.

In the past, attorneys for Applicant have been told by various T.C. Directors that petitions are decided in two to four months. However, it has been the experience of these attorneys that petitions directed to time-sensitive issues, where a deadline is running against the applicant (withdraw premature final rejection before the 6-month time runs out on a final rejection, "novel interpretation of law in an examiner's answer" that has to be decided before the two-month Reply Brief deadline, etc.) are never decided within four months. Though our sample size is small, the behavior of the PTO is surprisingly consistent—decisions on time-sensitive petitions are always

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[14] *American Farm Lines v. Black Ball Freight Service*, 397 U.S. 532, 539 (1970), *quoted in Cessna Aircraft Co. v. Dalton*, 126 F.3d 1442, 1452 (Fed. Cir. 1997); *City of Fredericksburg Virginia v. Federal Energy Comm'n*, 876 F.2d 1109, 1112 (4th Cir. 1989) ("*American Farm Lines* held that an administrative agency has discretion to relax or modify internal housekeeping regulations … However, the exception announced in *American Farm Lines* does not apply if the agency regulations were intended 'to confer important procedural benefits upon individuals' or other third parties outside the agency. … The applicability vel non of *American Farm Lines* thus turns on whether the regulation … was designed to aid [the agency] or, instead, to benefit outside parties").

(at least in our experience) delayed to a week or so before the deadline, and usually ***past*** the applicant's time to act(such as in this case), while far more complex petitions filed at almost the same time are decided far more quickly. These attorneys have sufficient experience with this phenomenon to have reasonable questions whether the PTO acts in good faith in scheduling petitions for decision.

Applicants have done everything within their power to compel the PTO to act within its own rules. The PTO has blocked every invitation. Applicant should not be harmed by the PTO's lax observance and failure to enforce its own procedural law. The Board should remand the application to the Examiner with instructions to examine within the parameters set by the PTO's validly-promulgated procedural law and guidance. **The Board should remand to the Examiner and simplify the procedural status of the case by treating it as a non-final case, with all claims pending for examination and permitting the prosecution to go forward with the claims of Claim Appendix Two. That would resolve the absurd procedural complexity that now plagues this case.**

V. Summary of the subject matter and support for amendments

All issues currently on appeal focus on the various "computer" provisions of the claims. Claim 119 includes language that is common to claims 1, 2, 31, 56, 60, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179, 180, and 181.[15]

> 119. A method, comprising the steps of:
>
> ...
>
> at least some portion at least some portion of the lease being or having been performed with assistance of computer processing of data in a tangible memory, the data representing one or more of a group consisting of the landlord, the tenant, or a loan purchaser

The computer processing is discussed in the Substitute Specification filed on October 3, 2005, at pages 22-30. The specification explicitly discusses a variety of computers and servers. All computers and servers in modern commercial use inherently have "tangible memories."

[15] Claim 119 is used as an exemplar here, because it includes language sufficient to represent all issues likely to arise in consideration of all claims.

Pages 22-30 of the specification discuss processing of data relating to landlords, tenants, loan purchasers, and the other kinds of objects discussed in the respective claims.

VI. Grounds of rejection to be reviewed

All rejections, to the degree any are validly raised in the Examiner's paper of October 3, 2008, are appealed. As noted below, all rejections were either so procedurally-flawed when originally stated as to have no legal existence, or lapsed when the PTO neglected to follow various statutory and Presidentially-imposed obligations. Under the PTO's and Administrative Procedure Act's rules of procedure, no rejections currently stand. The Board's jurisdiction is questionable.

The independent claims stand or fall together when they use identical language, and separately when they use different language.[16]

VII. Argument

A. Standard of review

Recent unpublished, non-precedential Board decisions have suggested a standard of review that requires an appellant to convince the Board of the examiner's error, based on court/agency review under 5 U.S.C. § 706 of the Administrative Procedure Act. Those cases reflect those panels' misunderstanding of the law. The Board is an intra-agency tribunal, not an Article III court. Thus, the § 706 principles of judicial deference that govern court/agency review are inapplicable to the Board's agency/agency review of an examiner's decision. The law has been clear for several decades that the Board in deciding *ex parte* appeals is required to adjudicate the issues independently, and is not to give deference to the examiner's decisions. It is not an appellant's burden to establish "error" by the examiner, or persuade the Board. Rather, 35 U.S.C. § 102 and Chapter 5 of the Administrative Procedure Act (APA) allocate the burden of persuasion to the Office. The examiner and the Board each have independent duties under both the APA and the Patent Act to present *prima facie* cases of unpatentability, to set forth clear and

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[16] *Hyatt v. Dudas*, 551 F.3d 1307, 1313, 89 USPQ2d 1465, 1469 (Fed. Cir. 2008).

precise findings on all essential issues, to support them all with "substantial evidence."[17] The Board steps into the shoes of the examiner: questions of "deference" are irrelevant, and requiring an appellant to "convince [the Board] of error in the examiner's position," or any other suggestion that the burden lies anywhere other than with the examiner, is reversible legal error.

1. Issues of law, including claim construction, are reviewed *de novo*

Claim construction is an issue of law that the Board reviews *de novo*, with no deference to the examiner.[18] During *ex parte* appeals, claims are given their "broadest reasonable interpretation consistent with the specification."[19] A claim "must be read as [it] would be interpreted by those of ordinary skill in the art."

2. The Board may not rely on non-precedential or "informative" opinions against any party but the PTO itself

The Board may not rely on or cite non-precedential or "informative" opinions against any party other than the PTO itself.[20] Conversely, the Board's non-precedential decisions are

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[17] *In re Kahn*, 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006) ("there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness. This requirement is as much rooted in the Administrative Procedure Act, which ensures due process and non-arbitrary decisionmaking, as it is in § 103 [of the Patent Act"), *quoted with approval KSR Int'l Inc. v. Teleflex Inc.*, 550 U.S. 398, 418, 82 USPQ2d 1385, 1396 (2007).

[18] *Ex parte Toda*, Appeal No. 98-0078, http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd980078 at 6, 2001 WL 1729659 at *3 (BPAI Apr. 26, 2001) (non-precedential), *citing Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456, 46 USPQ2d 1169, 1174 (Fed. Cir. 1998) (*en banc*); *see also In re Translogic Technology, Inc.*, 504 F.3d 1249, 1256, 84 USPQ2d 1929, 1934 (Fed. Cir. 2007) (the Federal Circuit reviews the Board's legal determinations *de novo*, including determinations of obviousness—because the Board is independently accountable for correctness of its decisions it should review examiners' decisions *de novo* as well); *In re Sullivan*, 498 F.3d 1345, 1350, 84 USPQ2d 1034, 1038 (Fed. Cir. 2007) (same); *Gechter v. Davidson*, 116 F.3d 1454, 1457, 43 USPQ2d 1030, 1032 (Fed. Cir. 1997) (same). Because the Federal Circuit reviews claim construction *de novo*, one would expect the Board to do the same, to ensure accuracy.

[19] *In re Translogic Technology, Inc.*, 504 F.3d 1249, 1256, 84 USPQ2d 1929, 1934 (Fed. Cir. 2007); *In re Morris*, 127 F.3d 1048, 1054–55, 44 USPQ2d 1023, 1027 (Fed. Cir. 1997).

[20] 5 U.S.C. § 552(a)(2) ("A final order, opinion, ... may be relied on, used, or cited as precedent by an agency against a party other than an agency only if . . . it has been indexed and either made available or published as provided by ['written rules' of] this paragraph")

sufficient agency "action" under 5 U.S.C. § 551 such that this panel of the Board must give a "cogent explanation" if it chooses to disagree with "prior norms."[21]

3. Issues of fact—contested issues of fact are re-determined *de novo*, on a "preponderance of evidence" standard

On contested issues of fact, the burden of proof is on the Patent Office, to produce the factual basis for its rejection of an application.[22] Any reasonable rebuttal, whether supported by new evidence or by argument only, is procedurally sufficient to put disputed issues before the Board for *de novo* review.[23] The Board must independently reweigh all evidence and arguments relating to all contested facts against each other to reapply a "preponderance of the evidence" standard. The Board may not give deference to a prior conclusion.[24] Because the PTO is the

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[21] *Atchison, Topeka and Santa Fe Ry. v. Wichita Board of Trade*, 412 U.S. 800, 806–08 (1973) ("Whatever the ground for the departure from prior norms, ..., it must be clearly set forth so that the reviewing court may understand the basis for the agency's action and so may judge the consistency of that action with the agency's mandate").

[22] *In re Piasecki*, 745 F.2d 1468, 1472, 223 USPQ2d 785, 788 (Fed. Cir. 1984) ("[in] *ex parte* procedure, [*Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 148 USPQ 459 (1966)] is interpreted as continuing to place the 'burden of proof on the Patent Office which requires it to produce the factual basis for its rejection of an application under sections 102 and 103'").

[23] *In re Alton*, 76 F.3d 1168, 1175, 37 USPQ2d 1578, 1583-84 (Fed.Cir.1996) ("[t]o overcome a *prima facie* case, an applicant must show. . . After evidence *or argument* is submitted by the applicant . . ., patentability is determined on the totality of the record, by a *preponderance of the evidence* with due consideration to persuasiveness of argument," citation and quotation omitted, emphasis added); *In re Hedges*, 783 F.2d 1038, 1039, 228 USPQ 685, 686 (Fed. Cir. 1986) ("if the applicant comes forward with reasonable rebuttal, whether buttressed by experiment, prior art references, or argument, the entire merits of the matter are to be reweighed."); *Ex parte Feder*, Appeal No. 94-0995, http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd940995 at 12, 1999 WL 33205784 at *5 (BPAI Apr. 9, 1999) (non-precedential) (based on *Hedges*, holding that failure of examiner to respond to argument "itself constitutes reversible error").

[24] *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) ("After evidence or argument is submitted by the applicant in response, patentability is determined on the totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument."); *In re Rinehart*, 531 F.2d 1048, 1052, 189 USPQ 143, 147 (CCPA 1976) (if an applicant supplies an affidavit in reply to a *prima facie* showing of obviousness,

> [T]he decision-maker must start over. ... [T]he question of whether [the *prima facie*] burden has been successfully carried requires that the entire path to decision be retraced. An earlier decision should not, as it was here, be considered as set in concrete, and applicant's rebuttal evidence then be evaluated only on its knockdown ability. Analytical fixation on an earlier decision can tend to provide that decision with an undeservedly broadened umbrella effect. *Prima facie* obviousness is a legal conclusion, not a fact. Facts established by rebuttal evidence must be evaluated along with the facts on which

"proponent of an order"—denying patentability—it bears the burden of proof at all stages until the Board issues a final order.[25] That is, if the evidence is in equipoise, the appellant wins. The

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> the earlier conclusion was reached, not against the conclusion itself. Though the tribunal must begin anew, a final finding of obviousness may of course be reached, but such finding will rest upon evaluation of all facts in evidence, uninfluenced by any earlier conclusion reached by an earlier board upon a different record.).

[25] 5 U.S.C. § 556(d); *Director, Office of Workers Compensation Programs, Dept. of Labor v. Greenwich Colliers*, 512 U.S. 267, 275–81 (1994) (unless superseded by statute, 5 U.S.C. § 556(d) prohibits an agency from shifting the burden of production or burden of persuasion for issues the agency is required to prove in order to grant or deny an order); *In re Swanson*, 540 F.3d 1368, 1377, 88 USPQ2d 1196, 1203 (Fed. Cir. 2008) ("In PTO examinations … the standard of proof [is] a preponderance of evidence"); *In re Kahn*, 441 F3d. 977, 989, 78 USPQ2d 1329, 1338 (Fed. Cir. 2006) ("the Board need only establish motivation to combine by a preponderance of the evidence"); *In re Glaug*, 283 F.3d 1335, 1338, 62 USPQ2d 1151, 1153 (Fed. Cir. 2002) ("patentability is determined by a preponderance of all the evidence"); *In re Epstein*, 32 F.3d. 1559, 1564, 31 USPQ2d 1817, 1821 ("Preponderance of the evidence is the standard that must be met by the PTO in making rejections"); *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) ("After evidence or argument is submitted by the applicant in response, patentability is determined on the totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument."); *see also In re Kumar*, 418 F.3d 1361, 1366, 76 USPQ2d 1048, 1050 (Fed. Cir. 2005) (citations expanded):

> During examination, the examiner bears the initial burden of establishing a prima facie case of obviousness. *Oetiker*, 977 F.2d at 1445, 24 USPQ at 1444. The *prima facie* case is a procedural tool, and requires that the examiner initially produce evidence sufficient to support a ruling of obviousness; thereafter the burden shifts to the applicant to come forward with evidence or argument in rebuttal. *Piasecki*, 745 F.2d at 1468, 1472, 223 USPQ 785, 788 (Fed. Cir. 1984). When rebuttal evidence is provided, the prima facie case dissolves, and the decision is made on the entirety of the evidence. *Oetiker*, 977 F.2d at 1445, 24 USPQ2d at 1444; *In re Spada*, 911 F.2d 705, 708, 15 USPQ2d 1655, 1657 (Fed.Cir.1990); *In re Rinehart*, 531 F.2d 1048, 1052, 189 USPQ 143, 147 (CCPA 1976).

See also In re Sun, 31 USPQ2d 1451, 1453 (Fed. Cir. 1993) (nonprecedential) (citations omitted):

> The examiner bears the burden of presenting at least a *prima facie* case of anticipation. Only if that burden is met, does the burden of going forward shift to the applicant. Once a *prima facie* case is established and rebuttal evidence is submitted, the ultimate question becomes whether, based on the totality of the record, the examiner carried his burden of proof by a preponderance.

See also Ethicon Inc. v. Quigg, 849 F.2d 1422, 1427, 7 USPQ2d 1152, 1156 (Fed. Cir. 1988) (citations omitted):

> In a reexamination proceeding, on the other hand, there is no presumption of validity and the "focus" of the reexamination "returns essentially to that present in an initial examination," at which a preponderance of the evidence must show nonpatentability before the PTO may reject the claims of a patent application.

In the Federal Register notice of final rule making on appeals, the PTO proposed that the Board would give examiners substantial deference, and shift the burden to prove error onto the appellant. Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Final Rule, 73 Fed.

evidence is to speak for itself—the examiner's argument interpreting evidence is entitled to no more weight than attorney argument.[26]

As an agency fact-finder (and not an Article III court) governed by the Administrative Procedure Act, the Board may only rely on "substantial evidence."[27] "Substantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion."[28] The substantiality of evidence must take into account whatever in the record fairly detracts from its weight.[29] The PTO may not rely on "irresponsible admission and weighing of hearsay, opinion, and emotional speculation in place of factual evidence" or "suspicion, surmise, implications, or plainly incredible evidence."[30] Neither the Board nor the examiner may substitute its own "expertise" as substantial evidence.[31] Only if this evidentiary burden is met for all *prima facie* elements does the burden of coming forward with rebuttal argument or evidence shift to the appellant. The Board must review the factual sufficiency of the examiner's decision (either based solely on the *prima facie* case or on the evidence in the record as a whole, if the appellant has offered rebuttal evidence or argument) on a preponderance of evidence.

Reg. 32938, 32960 (Jun. 10, 2008). However, the White House forbade the PTO from implementing this rule. 73 Fed. Reg. 74972 (Dec. 10, 2008).

[26] Note that the Federal Circuit reviews the Board more deferentially than the Board reviews examiners. *In re Translogic Technology, Inc.*, 504 F.3d 1249, 1256, 84 USPQ2d 1929, 1934 (Fed. Cir. 2007) (Federal Circuit reviews Board's determinations of fact for "substantial evidence.").

[27] *Universal Camera Corp. v. Nat'l Labor Relations Bd.*, 340 U.S. 474, 487–88 (1951) (APA requires "substantial evidence," including taking "account whatever in the record fairly detracts from its weight"); *In re Gartside*, 203 F.3d 1305, 1312, 53 USPQ2d 1769, 1773 (Fed. Cir. 2000).

[28] *Universal Camera*, 340 U.S. at 477; *Gartside*, 203 F.3d at 1312, 53 USPQ2d at 1773.

[29] *Universal Camera*, 340 U.S. at 488; *Gartside*, 203 F.3d at 1312, 53 USPQ2d at 1773.

[30] *Universal Camera*, 340 U.S. at 478, 484, 488.

[31] *In re Zurko*, 258 F.3d 1379, 1386, 59 USPQ2d 1693, 1697 (Fed. Cir. 2001) (The Board's "expertise may provide sufficient support for conclusions as to peripheral issues. With respect to core factual findings in a determination of patentability, however, the Board cannot simply reach conclusions based on its own understanding or experience — or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings," to satisfy the substantial evidence test); *see also Brand v. Miller*, 487 F.3d 862, 868–69, 82 USPQ2d 1705, 1709 (Fed. Cir. 2007). The holding of *Brand v. Miller* is limited to *inter partes* proceedings, and expressly declines to decide the issue for *ex parte* proceedings. However, the administrative law principles underlying *Brand* would seem to leave no room to distinguish *ex parte* appeals.

4. Procedural prerequisites to existence of an affirmable rejection

As a matter of administrative law, when an agency fails to make the showings required in the agency's own procedural handbook, the agency action is void, "illegal and of no effect"—that is, it has no legal existence,[32] and thus in such situations there is no "decision" of the examiner to affirm. Where many elements of agency practice receive deference on judicial review, review of an agency's compliance with its own procedures is "strict."[33]

No burden shifts to the applicant until the Examiner has addressed every element of a *prima facie* case of unpatentability.[34] To raise a *prima facie* case, the PTO must come forward with evidence and an explanation of that evidence that "not only ... would reasonably allow the conclusion the examiner seeks, but also that the prior art compels such a conclusion if the applicant produces no evidence or argument to rebut it."[35] Any rejection must comply with the PTO's guidance; examiners may not apply personal legal views. The Administrative Procedure Act "mandates that whenever an agency denies 'a written application...' the agency must provide 'a brief statement of the grounds for denial,' [that] ensures the agency's careful

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[32] *Service v. Dulles*, 354 U.S. 363, 388–89 (1957); *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959); *Vitarelli*, 359 U.S. at 546–47 (Frankfurter, J., concurring) ("procedure must be scrupulously observed."); *IMS, P.C. v. Alvarez*, 129 F.3d 618, 621 (D.C. Cir. 1997) (it is a "well-settled rule that an agency's failure to follow its own regulations is fatal to the deviant action"); *Certain Former CSA Employees v. Dept. of Health and Human Services*, 762 F.2d 978, 984 (Fed. Cir. 1985) (action in violation of agency's own regulation is "illegal and of no effect," emphasis added).

[33] *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959); *Vitarelli*, 359 U.S. at 546–47 (Frankfurter, J., concurring) ("procedure must be scrupulously observed."); *Powell v. Heckler*, 789 F.2d 176, 178 (3rd Cir. 1986) ("No such tolerance, however, is required in matters pertaining strictly to an agency's observance and implementation of its self-prescribed procedures. The courts, to protect due process, must be particularly vigilant and must hold agencies . . . to a strict adherence to both the letter and the spirit of their own rules and regulations. "); *Reuters v. F.C.C.*, 781 F.2d 946, 950-51 (D.C. Cir. 1986) ("*Ad hoc* departures from [an agency's] rules, even to achieve laudable aims, cannot be sanctioned").

[34] *E.g.*, *In re Glaug*, 283 F.3d 1335, 1338, 62 USPQ2d 1151, 1152 (Fed. Cir. 2003) ("During patent examination the PTO bears the initial burden of presenting a prima facie case of unpatentability. If the PTO fails to meet this burden, then the applicant is entitled to the patent."); MPEP § 2142 (for obviousness, three prima facie showings must be made by the examiner before any burden shifts to an applicant).

[35] *In re Spada*, 911 F.2d 705, 707 n.3, 15 USPQ2d 1655, 1657 n.3 (Fed.Cir.1990).

consideration of such requests, but also gives parties the opportunity to apprise the agency of any errors it may have made and, if the agency persists in its decision, facilitates judicial review."[36]

The burdens of going forward, of production of evidence, and of persuasion always remain with the examiner, and the Board cannot affirm positions that the examiner has not articulated.[37]

5. Burdens of going forward, production, and persuasion, and administrative adjudication

The Board's standard of review must be further adjusted if the proceedings by the examiner were of questionable regularity,[38] especially if the examiner's breach of procedure in any way prejudiced applicant's ability to prosecute the application. The Board's decision will not receive deference on review by the Federal Circuit or District Court for the District of Columbia if the Board fails to appropriately discount procedurally-flawed decisionmaking by the

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[36] *Tourus Records Inc v. Drug Enforcement Admin.*, 259 F.3d 731, 736–37 (D.C. Cir. 2001) (*citing* 5 U.S.C. § 555(e), citations, quotations, and footnotes omitted); ; *Arnold v. Sec'y of Health Educ. & Welfare*, 567 F.2d 258, 259 (4th Cir.1977) ("Unless the [ALJ] has analyzed all evidence and has sufficiently explained the weight he has given to obviously probative exhibits, to say that his decision is supported by substantial evidence approaches an abdication of the court's duty to scrutinize the record as a whole to determine whether the conclusions reached are rational"), *quoted in Dante Coal Co. v. Director, Office of Workers' Compensation Programs*, 164 Fed. Appx. 338, 345 (4th Cir. 2006) (unpublished).

[37] *Ex parte Berg*, Appeal No. 2002-0456, http://des.uspto.gov/Foia/ReterivePdf?system= BPAI&flNm=fd020456 at 4, 2002 WL 32346092 at *2 (BPAI Feb. 6, 2003) (non-precedential) ("the examiner must present a full and reasoned explanation of the rejection in the statement of the rejection, specifically identifying underlying facts and any supporting evidence, in order for appellants to have a meaningful opportunity to respond"); *Ex parte Meisel*, Appeal No. 2002-0438, http://des.uspto.gov/ Foia/ReterivePdf?system= BPAI&flNm=fd020438 at 4, 2002 WL 32334598 at *2 (BPAI Oct. 25, 2002) (non-precedential) ("in order for meaningful appellate review to occur, the examiner must present a full and reasoned explanation of the rejection"); *Ex parte Schricker*, 56 USPQ2d 1723, 1725 (BPAI 2000) (non-precedential) ("The examiner has left applicant and the board to guess as to the basis of the rejection and after having us guess would have us figure out (i.e., further guess) what part of which [reference] supports the rejection. We are not good at guessing; hence, we decline to guess. ... What we are saying is that the examiner has failed to develop the record sufficiently to permit applicant to address the issues and for us to make a cogent ruling on any difference of opinion between applicant and the examiner.").The distinctions between the two components of the burden of proof—known as the "burden of going forward" (also known as the "burden of production") and the burden of persuasion—are discussed in *Director, Office of Workers Compensation Programs, Dept. of Labor v. Greenwich Colliers*, 512 U.S. 267, 272 (1994)..

[38] *See Chamber of Commerce v. Securities & Exchange Comm'n*, 443 F.3d 890, 901–02 (D.C. Cir. 2006) (informal agency action is usually reviewed deferentially, but "more exacting review may be required when the presumption of regularity is rebutted").

examiner.[39] Judicial review on the merits will be non-deferential if agency procedures have been violated at any stage of agency proceedings.[40] The reason for non-deferential review in these circumstances follows from well-established principles of administrative law: an action taken in violation of an agency's own regulations is "illegal and of no effect,"[41] and if no agency decision exists, then there is no agency action to affirm.

If the Board applies the wrong standard of deference to the examiner's decision or the wrong standard of proof, that fact alone renders the Board's entire decision invalid, and a reviewing court must vacate the Board's decision in its entirety on that basis alone.[42]

APA principles of adjudication set forth in § VII.A.4 above apply to the Board just as they apply to the examiner.[43]

On further review by a court, the Board's decision will be reviewed under 5 U.S.C. § 706(2).[44] An agency action is arbitrary and capricious if it fails to consider relevant factors or makes an unexplained departure from past norms.[45] "Arbitrary and capricious" review is non-deferential when an agency has failed to address all relevant factors or all exceptions raised, has

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[39] *Powell v. Heckler*, 789 F.2d 176, 178 (3d Cir. 1986) ("No such tolerance, however, is required in matters pertaining strictly to an agency's observance and implementation of its self-prescribed procedures. The courts, to protect due process, must be particularly vigilant and must hold agencies. . . to a strict adherence to both the letter and the spirit of their own rules and regulations."); *Natural Resources Defense Council v. S.E.C.*, 606 F.2d 1031, 1048 (D.C. Cir. 1979) ("Our review of an agency's procedural compliance with statutory norms is an exacting one").

[40] *Stone v. Federal Deposit Insurance Corp.*, 179 F.3d 1368, 1376 (Fed. Cir. 1999) ("Our system is premised on the procedural fairness at each stage of [agency] proceedings. [A party before an agency] is entitled to a certain amount of due process rights at each stage and, when those rights are undermined, the [party] is entitled to relief.").

[41] See § VII.A.4 of this brief.

[42] *See, e.g., Cooper Industries Inc v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 443, 58 USPQ2d 1641, 1649 (2001) (vacating a decision of the Ninth Circuit based solely on the Ninth Circuit's application of an incorrect standard of review); *Dickinson v. Zurko*, 527 U.S. 150, 165, 50 USPQ2d 1930, 1936–37 (1999); *Price v. Symsek*, 988 F.2d 1187, 1194, 1196, 26 USPQ2d 1031, 1036, 1038 (Fed. Cir. 1993) (remanding because the Board used the wrong standard of proof).

[43] *E.g.*, 5 U.S.C. § 555.

[44] 5 U.S.C. § 706(2)(A).

[45] *Motor Vehicle Mfrs. Ass'n, Inc. v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 19, 57 (1983) ("an agency changing its course must supply a reasoned analysis ...").

acted inconsistently with its own precedent, or has violated its own procedures.[46] A court will set aside agency action that is contrary to law, in excess of authority, short of statutory right, in excess of statutory jurisdiction, or without observance of procedure.[47] Review under these prongs of § 706 is non-deferential.[48] Agencies only receive deference when their written decisions reflect a *bona fide* effort to engage in "reasoned decision making."[49]

B. Paragraph 3 of the Action: § 112 ¶ 2 and claims 1-27, 31 -52, 56-59 and 74-181

MPEP § 2173.02 states the general test under § 112 ¶ 2 (underline in original):[50]

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[46] 5 U.S.C. § 557(c); *see Motor Vehicle Mfrs. Ass'n v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 42–43, 48, 50, 51–52 (1983) ("an agency must cogently explain why it has exercised its discretion in a given manner," and setting out a number of types of flaws in decision making that lower courts review without deference); *Atchison, Topeka and Santa Fe Ry. v. Wichita Board of Trade*, 412 U.S. 800, 806–08 (1973) ("Whatever the ground for the departure from prior norms, ..., it must be clearly set forth so that the reviewing court may understand the basis for the agency's action and so may judge the consistency of that action with the agency's mandate.").

[47] 5 U.S.C. § 706(2).

[48] *E.g.*, *Vitarelli v. Seaton*, 359 U.S. 535, 546-47 (1959) (Frankfurter, J., concurring) ("procedure must be scrupulously observed."); *Reuters v. F.C.C.*, 781 F.2d 946, 950-51 (D.C. Cir. 1986) ("*Ad hoc* departures from [an agency's] rules, even to achieve laudable aims, cannot be sanctioned").

[49] *State Farm*, 463 U.S. at 52 ("The agency must explain the evidence which is available, and must offer a 'rational connection between the facts found and the choice made.' ... In this case, the agency's explanation ... is not sufficient to enable us to conclude that the rescission was the product of reasoned decisionmaking.")

[50] Applicant notes *Ex parte Miyazaki*, 89 USPQ2d 1207 (BPAI 2007) which suggested that the Federal Circuit's "reasonableness" test that applies during with examination (which is somewhat stricter than the "insolubly ambiguous" test that applies during litigation) be replaced with a new test improvised by the Board, "amenable to two or more plausible constructions." The Board acted illegally, and *Miyazaki* is not the law. First, the interpretations of law set forth in the MPEP are binding on the Board; the Board had no authority to overrule the agency's official interpretations. *Yale-New Haven Hospital v. Leavitt*, 470 F.3d 71, 80 (2nd Cir. 2006) ("An interpretative rule binds an agency's employees, including its ALJs"); Richard J. Pierce, ADMINISTRATIVE LAW, Aspen Law & Business (4th Ed. 2002) § 6.4. If the Board wants to change the agency's mind, then the Board must act through the proper procedural channels, and get its view adopted by the agency as a whole. Rogue panels of the Board may not act independent of the Director. Second, the PTO has no substantive rule-making authority, and the Board cannot act where the agency could not act by rule making. Third, the Federal Circuit has said that the standard that applies in the PTO is "reasonable," *Credle v. Bond*, 25 F.3d 1566, 1576, 30 USPQ2d 1911, 1919 (Fed. Cir. 1994), and that under the law, the Board may "demand[ ] no more." The Board does not have authority to overrule the Federal Circuit. Subsequent to *Miyazaki*, the Federal Circuit reiterated that "Some latitude in the manner of expression and the aptness of terms should be permitted even though the claim language is not as precise as the examiner might desire," *In re Skvorecz*, 580 F.3d 1262, ___, 92 USPQ2d 1020, 1025 (Fed. Cir. 2009), effectively overruling *Miyazaki*.

leasing ...

at least some portion of the lease being or having been performed with assistance of a computer.

The language is amended in Claims Appendix Two as follows:

119, 130, 133, 140, 148, 154, 158, 161, 172. A method, comprising the steps of:

leasing ...

at least some portion of the lease being or having been performed with assistance of a computer processing of data in a tangible memory of the computer, the data representing one or more of a group consisting of the landlord, the tenant, ...

The Examiner's observation is itself a demonstration that the claims are definite. As the Examiner recognizes, each claim definitely specifies that any portion of the lease performed with assistance of a computer falls within the claim. This precisely and definitely distinguishes situations where the only use of a computer is in management of the property (as opposed to the lease), of a lease of a different asset, or of a sale of the asset that is subject of the claim is performed with assistance of a computer. The claim language also definitely distinguishes instances where the method is performed entirely mentally or by pencil-and-paper. The "some portion" language is necessary to make clear that the lease need not be performed end-to-end by a single computer; this language is both "reasonable" and necessary to avoid "joint infringement" problems like those raised in *BMC Resources Inc. v. PaymenTech L.P.*, 498 F.3d 1373, 1379, 84 USPQ2d 1545, 1548–49 (Fed. Cir. 2007), and is "reasonably" clear to one of ordinary skill. As the Examiner observes, the claim language is broad enough to encompass many "portions of the lease," but the Examiner only confirms that the claim is broad, he makes no suggestion that the claim is indefinite.

Claims 102, 119, 130, 133, 140, 148, 154, 158, 161, and 172 stand with the earlier group, and stand separately. Here, the claims make clear that the computer processes data representing "the landlord, the tenant, the special purpose entity" or other economic actors in the deal.

2. "Performed with assistance of a computer"

The Action queries "it is not clear as to what the Applicants mean by the limitation 'performed with assistance of a computer.'" Neither the term "computer" nor the term "assistance" are indefinite—both have perfectly good definitions in any dictionary, and the

Examiner raises no reason to believe that the dictionary definitions are inadequate. The term "assistance" is likewise clear and definite—use of a computer to obstruct the lease, or for tasks unrelated to those recited in the respective claim, is excluded from the scope of the claim. Those of skill in use of computers in the field of the invention understand the terminology "assistance of a computer". They understand how computer hardware and/or software can be of assistance. They understand how hardware and/or software is designed to assist a landlord, tenant, or other user, as discussed in the respective claims. Most importantly, they recognize when a computer is assiting in performing a given task, vs. when it is not.

The Examiner notes only that the claim is broad enough to cover many situations, not that anyone of ordinary skill would have any difficulty determining infringement. Breath is not indefiniteness.[51] Notably, the Examiner is unable to propose even a hypothetical situation that might raise some ambiguity, and without some identification of a "reasonable" ambiguity, applicants cannot meaningfully respond.

Similar language is found in issued patents since it is well understood by those in the art. See U.S. Patent No. 7,580,874 issued August 25, 2009 to Deckoff. Independent claim 1 recites "wherein, at least one of the reevaluating and the adjusting is performed using a computer." Similar language can be found in independent claims 2 and 13. This sort of language is understood by those of skill in the art. The use of similar language in claims of issued patents is persuasive that such language is readily understood and not indefinite. There is no indefiniteness.

The Office Action questions which portion of the lease is performed with assistance of a computer despite the fact that claim 180 explicitly recites "some portion of soliciting, originating, managing, or analyzing" the lease is performed with assistance of a computer. The Examiner's view is not clear. Alternative language is not necessarily indefinite.[52] One of ordinary skill would understand that the portion of the lease or leasing may be soliciting, originating, managing, or analyzing the lease. One of ordinary skill would understand that the

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[51] MPEP § 2173.04; *In re Miller*, 441 F.2d 689, 169 USPQ. 597 (CCPA 1971).

[52] MPEP § 2173.05(h)(II); *In re Gaubert*, 524 F.2d 1222, 187 USPQ 664 (CCPA 1975).

2173.02 Clarity and Precision

The examiner's focus during examination of claims for compliance with the requirement for definiteness of 35 U.S.C. 112, second paragraph, is whether the claim meets the threshold requirements of clarity and precision, not whether more suitable language or modes of expression are available. ... he or she should allow claims which define the patentable subject matter with a reasonable degree of particularity and distinctness. Some latitude in the manner of expression and the aptness of terms should be permitted even though the claim language is not as precise as the examiner might desire. Examiners ... should not reject claims or insist on their own preferences if other modes of expression selected by applicants satisfy the statutory requirement.

The essential inquiry pertaining to this requirement is whether the claims set out and circumscribe a particular subject matter with a reasonable degree of clarity and particularity.

2173.04 Breadth Is Not Indefiniteness

Breadth of a claim is not to be equated with indefiniteness. *In re Miller*, 441 F.2d 689, 169 USPQ 597 (CCPA 1971). If the scope of the subject matter embraced by the claims is clear, and if applicants have not otherwise indicated that they intend the invention to be of a scope different from that defined in the claims, then the claims comply with 35 U.S.C. § 112, second paragraph.

1. "Not clear as to what portion of the lease is performed with a computer"

The Action (top of page 3) asserts that the claims are indefinite because "Firstly, it is not clear what portion of the lease is performed with assistance of a computer. Secondly it is not clear as to what specific aspect of the lease is performed with assistance of a computer."

Various independent claims use slightly different wording, for example

1, 2, 31, 56, 60, 74, 93, 102. A method, comprising the steps of:

leasing ...

at least some portion of the [] lease being or having been performed with assistance of a computer.

The language is amended in Claims Appendix Two as follows:

1, 2, 31, 56, 60, 74, 93, 102. A method, comprising the steps of:

leasing ...

at least some portion of the [] lease being or having been performed with assistance of a computer processing data in a tangible memory of the computer.

From Claims Appendix One:

119, 130, 133, 140, 148, 154, 158, 161, 172. A method, comprising the steps of:

specific aspect of the lease or leasing that is performed with assistance of a computer may be one or more of soliciting, originating, managing, or analyzing the lease.

Thus, the language "soliciting, originating, managing, or analyzing" is acceptable. Additionally, the language "hardware and/or software" is acceptable.

All claims, including claims 1-27, 31-52, 56-59 and 74-181 meet the requirements of Section 112, 2nd paragraph and are definite.

3. Claim 181: "what kind of assistance"

The Action queries "in claim 181 it is not clear what kind of assistance is provided." The claim is broad, not indefinite. The precise kind of assistance is irrelevant: if "assistance" exists, the assistance falls within the claim, and if there is no assistance from a computer, than the claim is not satisfied.

The Action queries "it is not clear what the term 'assist a tenant' entails." The Action misquotes the claim—the claim recites "to assist a tenant <u>in entering an improvements lease</u>." When the full claim phrase is considered, the claim language is reasonably definite, though broad. Claim 181 meets the requirements of Section 112, 2nd paragraph and is definite.

C. The Rejections under 35 U.S.C. 101 Should Be Withdrawn

1. Paragraph 5 of the Action: § 101 subject matter

This paragraph states that claims are rejected, but gives no analysis whatsoever. This paragraph raises no rejection.

2. Paragraph 6 of the Action: § 101 utility

Paragraph 6 of the Action purports to raise a "utility" rejection which seems to be part of or the purported basis for the rejection of claim 181 in paragraph 5 under § 101 regarding patentable subject matter. The Examiner's analysis is pure gibberish. This rejection is a mishmash of legal standards and is improper as a matter of law. The rejection confuses the issues of whether an invention as disclosed has utility and is operative with whether a claimed process is patent-eligible under § 101. The rejection fails to set forth any proper statement of law and should be withdrawn.

MPEP § 2107 sets out the analysis to be applied for utility—the Office Action bears no resemblance whatsoever to the procedures set out in § 2107. The Action observes that the claims recite "***functional*** descriptive material."[53] Somehow the Examiner draws a conclusion that "functional descriptive material" contributes to non-patentability, idenfying no recongnizeable legal principle.

MPEP § 2107 sets out a simple procedure for examining for "utility." Upon initial examination the examiner should review the ***specification*** to determine if there are any statements asserting that the claimed invention is useful for any particular purpose.[54] In most cases, an applicant's assertion of utility creates a presumption of utility that will be sufficient to satisfy the utility requirement of 35 U.S.C. § 101.[55] MPEP § 2107.02(IV) instructs: "To properly reject a claimed invention under 35 U.S.C. 101, the Office must (A) make a *prima facia* showing that the claimed invention lacks utility, and (B) provide a sufficient evidentiary basis for factual assumptions relied upon in establishing the *prima facia* showing."

The analysis in the Office Action is totally unrelated to the test set forth in MPEP § 2107, because it is based on an Examiner-improvised mish-mash of unrelated provisions of the MPEP. Instead, paragraph 8 demonstrates that the claimed inventions ***do have substantial, practical and credible utility***, by explaining how they are useful when used with a computer. Applicants' disclosure contains a statement of specific and substantial utility, at Section V (entitled "Use of the lease structure") starting on page 17, for example, in paragraphs [0071]-[0075], [0078], [0085] and [0087]. The Action is dead silent in any analysis of this portion of the specification. The Examiner made no attempt to establish a *prima facie* case of a lack of utility. Thus, any rejection on the grounds of lack of utility should be withdrawn.

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[53] Applicant notes that there is no law whatsoever that turns on "descriptive material." The only legally-relevant concept is "printed matter,"*In re Lowry*, 32 F.3d 1579, 1582–83, 32 USPQ2d 1031, 1034 (Fed. Cir. 1994), confined to "arrangements of *printed lines or characters*, useful and intelligible *only* to the human mind,", and that is not alleged here. Not only has the Examiner invented new law, even that invented law is misapplied.

[54] MPEP § 2107.02(II).

[55] MPEP § 2107.02(III)(A); *In re Langer,* 503 F.2d 1380, 1391, 183 USPQ 288, 297 (CCPA 1974).

Paragraph 8 of the Action demonstrates that the Examiner has made no *bona fide* effort to examine the application within the law. The previous examiner conceded that he was deliberately obstructing prosecution of the application.[56] Now Examiner Subramanian manufactures his own law without careful application of MPEP procedure, and refuses to answer all material traversed. It is hard to see how the examiners' actions can be considered *bona fide* efforts to advance prosecution. When an Action sets forth no more than a confused jumble of unrelated legal concepts, Applicants can make no meaningful reply. Because of these procedural breaches, under the administrative law principles set froth by the Supreme Court outlined at § VII.A.4 at page 26 of this paper, no rejection was raised, and any rejection that might once have existed has now lapsed.

3. Paragraphs 8 and 9 of the Action: § 101 subject matter

Procedural errors in the Office Action vitiate any rejection, let alone final rejection

In paragraph 8 of the Action, the Examiner states in a conclusory way that in his personal opinion, the invention provides no "useful, concrete and tangible result." In paragraph 9 of the Action, the Examiner states that there is no "practical application" at the bottom of page 7. However, Applicants previously submitted an Affidavit of Douglas Lowenstein (filed Feb. 27, 2007, attached as Exhibit A) which explains how the result of the claims is useful, concrete and tangible and has a practical application. Applicant provided a document having sufficient force to be relied on by the Securities and Exchange Commission, that describes accounting standards that further demonstrate the "useful, concrete and tangible" nature of the invention and a practical application of the invention. The reasoning and analysis of facts set forth in Mr. Lowenstein's affidavit tracks the reasoning and analysis of relevant facts set forth in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F.3d 1368, 1373, 47 USPQ2d 1596, 1601 (Fed. Cir. 1998):

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[56] Interview Summary of Feb 26, 2007, ¶ 41.

State Street holding	**Lowenstein Affidavit**
Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces "a useful, concrete and tangible result"--a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades.	6. Leases have monetary value. The monetary values involved in leases are accepted and relied upon by regulatory authorities. For example, sale of a lease may be a taxable realization of income under the Tax Code, and the value of future lease payments due to the lessor may be included in financial reports required by financial regulators. The monetary value of a lease is often realized in subsequent transactions – for example, it is reasonably common to "sell" a lease to a subsequent lessor. 7. Computer processing relating to a lease involves transformation of data that represent discrete dollar amounts, by a machine through a series of mathematical calculations.

Mr. Lowenstein's Affidavit and the FASB-13 standard are both substantial evidence, the Examiner's musings in paragraphs 8 and 9 of the Action are not. The Examiner may be disregarded.

The Examiner repeatedly failed to follow the examination instructions set forth in the MPEP. Paragraphs 8 and 9 are a garbled mix of "utility" and "subject matter" issues, and make no sense under either. Had the Examiner followed the simple flow charts that the PTO provides to examiners, prosecution would advance efficiently to allowance. Second, the Examiner failed to answer all material traversed, further obstructing prosecution. The "useful, concrete and tangible result" issue was squarely raised in Applicant's paper of February 2007, at page 54 (Traverse No. 13) and Examiner Subramanian was required to respond. He did not.

The PTO's papers have not established the procedural prerequisites for any rejection, let alone final rejection. Under the administrative law principles introduced in § VII.A.4 at page 26, the Examiner's papers are "illegal and of no effect," and raise no rejection for the Board to review.

4. The law applied in the Action has been repudiated by the Federal Circuit

The Federal Circuit's recent decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), stated:

> A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing.

This is the one and only proper legal standard to be applied. This is not the test applied in the Action. There can be no meaningful reply.

Claims 1 and 2 are rejected as not requiring any physical transformation and not producing a useful, concrete and tangible result. Claims 31, 56, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179, 180 and 181 and dependent claims are rejected as not producing a useful, concrete and tangible result. Claims 1, 2, 31, 56, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179-181 are rejected as an abstract idea and lacking transformation of any physical subject matter.

With respect to the rejections of Claims 1 and 2 as not requiring any physical transformation and not producing a useful, concrete and tangible result and Claims 31, 56, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179, 180 and 181 and dependent claims as not producing a useful, concrete and tangible result; these rejections should be withdrawn for not applying the proper legal standard. The Applicant should not have to appeal this issue, but rather the finality should have been withdrawn as a matter of policy, and the case should have been reconsidered under the proper legal standard.

The Federal Circuit in *Bilski*[57], stated: "[W]e also conclude that the "useful, concrete and tangible result" inquiry is inadequate and reaffirm that the machine-or-transformation test outlined by the Supreme Court is the proper test to apply." *Id.* The Office Action applies a legal standard expressly rejected in the *Bilski* case, and the rejections should be withdrawn.

With respect to the rejections of Claims 1, 2, 31, 56, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179-181 as an abstract idea and lacking transformation of any physical subject matter. Many of these claims were also rejected under the "useful, concrete and tangible result" test, but the ***Bilski*** decision made it clear that there is one and only one standard under § 101 and employing multiple tests is an improper approach.

The Action seems to take the position that business method claims are not patentable. This position is not consistent with the law. The Federal Circuit stated in *Bilski*: "We rejected [a business method] exclusion in *State Street*, noting that the so-called 'business method exception'

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[57] *In re Bilski*, 545 F.3d 943, 960, 88 USPQ2d 1385, 1395 (Fed. Cir. 2008), *citing State Street Bank & Trust Co. v. Signature Fin. Group*, 149 F.3d 1368, 1375-76 (Fed. Cir. 1998).

was unlawful and that business method claims (and indeed all process claims) are 'subject to the same legal requirements for patentability as applied to any other process or method.". The court stated, "[W]e decline to adopt a broad exclusion over software or any other category of subject matter beyond the exclusion of claims drawn to fundamental principles set forth by the Supreme Court."[58] Thus, business method claims are patentable subject matter. The reasoning applied in the Action is not the law.

The claims each recite methods, and specify that some part of the method requires processing by a computer. A computer is indisputably a "machine." Processing in a machine is not "abstract." The claims meet the *Bilski* "machine or transformation" test, and are therefore § 101 subject matter.

The rejections of Applicant's claims 1 and 2 as not requiring any physical transformation and not producing a useful, concrete and tangible result and claims 31, 56, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179, 180 and 181 and dependent claims as not producing a useful, concrete and tangible result are improper.

The rejections of Applicant's claims 1, 2, 31, 56, 74, 93, 102, 119, 130, 133, 140, 148, 154, 158, 161, 172, 179-181 as an abstract idea and lacking transformation of any physical subject matter are improper.

The rejections under Section 101 are improper.

5. The following issues were raised in Applicant's paper of February 26, 2007, and the Examiner remains silent

The following issues were raised in Applicant's last paper on the merits, February 26, 2007. The Examiner was required to "Answer All Material Traversed," and to provide a "statement of grounds" under 5 U.S.C. § 55(e), but did not do so. Examination cannot progress when an Examiner stands silent. Because of the Examiner's failure to answer all material traversed, all § 101 rejections have lapsed.

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[58] *Bilski*, 545 F.3d at 960 n.23, 88 USPQ2d at 1395 n.23

Several issues raised in February 2007 are listed here. It is long past time for the Examiner to do his job, and to either answer all material traversed or allow the claims.

> **Traverse 7.** If the Examiner is aware of any constitutionally-permissible alternative to written documents for definitions of legal terms to be applied by federal agencies, that would permit [an examiner] to rely on a personal unpublished view, he is requested to identify it. In absence of such an explanation, the Office concedes that both the November 2006 paper and the examiners' refusal to consider written authority in the December 2006 interview were illegal.
>
> **Definition of the legal term of art "abstract."** The legal definition of "abstract" applied by the courts and Board, is an "idea existing only in one's mind," "pure numbers," and "a fundamental truth; an original cause; a motive." *Ex parte Pednault*, http://www.uspto.gov/go /dcom/bpai/decisions/fd020308.pdf at 4, 2004 WL 4972330 at *2 (BPAI Feb. 24, 2004) ("abstract idea" means "existing only in one's mind"; mathematical algorithm that manipulates numbers in order to make a predictive model that is then used to make predictions "to optimize return on marketing investment" is not abstract); *Ex parte Lundgren*, Appeal No. 96-0519, 08/093,516, at 7 (BPAI Nov. 23, 1998) (attached as Exhibit D) ("We find that the claim language recites subject matter that is a practical application of shifting of physical assets to the manager."); *In re Iwahashi*, 888 F.2d 1370, 1374, 12 USPQ2d 1908, 1911 (Fed. Cir. 1989) ("proscription against patenting has been limited to *mathematical* algorithms and abstract *mathematical* formulae" emphasis in original); *Diamond v. Diehr*, 450 U.S. 175, 185, 186, 209 USPQ 1, 7, 8 (1981) ("a fundamental truth; an original cause; a motive" or "simply a number"); *In re Sarkar*, 588 F.2d 1330, 1333, 200 USPQ 132, 137 (CCPA 1978) ("steps occurring only in the mind").
>
> **Traverse 8.** If the Examiner disagrees with the Board, CCPA or Supreme Court, Applicant requests (a) an articulation of the legal standard being applied, (b) a written statement from signed by someone at T.C. Director or Board of Appeals level or above authorizing the examiner to disagree with these superior tribunals, and (c) a published written document that makes that Office's standard available to the public, as required by Constitutional Due Process, explaining the definition of "abstract."

The Examiner's discussion in Paragraph 9 of the Action does not advance prosecution, because the Examiner refuses to apply the legally-recognized definition of the term 'abstract." When an Examiner makes up the law on the fly, prosecution does not advance.

> **Traverse 14.** *Ex parte Lundgren*, Appeal No. 96-0519, 08/093,516, at 7 (BPAI Nov. 23, 1998) (attached as Exhibit D), *reaffirmed* 76 USPQ2d 1385 (BPAI 2005) (*en banc*), holds that "shifting of physical assets" is a "practical application," not "abstract." If the Examiner disagrees with the Board's definition that "shifting of physical assets" is "practical application," not "abstract," Applicant requests a principled explanation, based on a document with sufficient precedential value to overrule both *Lundgren* cases.
>
> **Traverse 20.** All of the method claims recite language such as "at least some portion of originating, managing, or analyzing the improvements lease is performed on a computer" or "at least some portion of the improvements lease is performed with assistance of a computer." The November 2006 paper is **dead silent** on this claim language. Why is it not a "practical application?" [Why is a computer not a "machine"

in the *Bilski* sense?] Why was there no discussion of this claim language in the November 2006 paper?

Traverse 23. *Ex parte Ng*, .../fd971416.pdf at 6, 1997 WL 33147781 at *2 (BPAI 2000) holds that "a method being run on a computer inherently has practical utility and represents more than a mere abstract idea. An abstract idea is no longer abstract when it becomes tied to implementation on a computer. As long as this computer-implemented process satisfies other conditions of Title 35, it is properly the subject of patent protection." If the Examiner has any reason to disagree with the Board's holding that a lease (even if thought to be abstract, which it is not), is "no longer abstract when it becomes tied to implementation on a computer," Applicant requests an explanation, based on a published, written document signed by someone at T.C. Director or Board of Appeals level or above.

6. The Analysis in the Action ignores the claim language

Each and every claim recites that a non-incidental part of the process is performed in a computer, or that a computer programmed to do non-incidental tasks. The Examiner states (Action of October 3, page 8, line lines 6-7), "In the instant case, the method can be performed by a human and also by a computer." This statement is wrong, because it ignores the claim language. Each claim has a substantial limitation requiring that at least one of the method steps be performed at least in part by a computer. There is no preemption of the broad method, because performance *entirely* by a human or pencil-and-paper remains unpatented. A machine is directly recited in each claim. The machine transforms data relating to real-world object such as buildings, space within the buildings, and people and companies using the building, and performs a part of the process that is directly recited in the claim, and therefore more than "nominal."

The Office Action fails to consider the claim language of claim 181.. Claim 181 is directed to "a computer system" not a process.

Thus, the Office Action calls the invention recited in claim 181, software in disregard of the claim language which recites "A computer system, comprising: hardware and/or software designed to assist a tenant in entering an improvements lease...."

Prosecution cannot advance when an examiner ignores plain claim language.

VIII. Conclusion

This paper is a reply to Office Action, and the amendments in Claims Appendix Two should be entered. The Examiner should examine the application in conformance with the

PTO's validly promulgated rules. The Examiner should cease relying on his personal opinions when those opinions conflict with the law.

In the alternative, if the PTO completes all the steps that are necessary to show that the Action of October 3, 2008 was validly issued, and was properly final (see footnote 5 and accompanying text, and § III.B at page 12), then this paper should be entered as an Appeal Brief. However, in that case, the Board should remand to the Examiner with a *Braeken/Gambogi* instruction.[59] All claims should be examined and the amendments of Claim Appendix Two entered.

In a third alternative, the Board should reverse all rejections.

Applicant hereby authorizes the USPTO to communicate with any authorized representative concerning this application by electronic mail.

In view of these remarks, Applicant respectfully submits that the claims are in condition for allowance. Applicant requests that the application be passed to issue in due course. The Examiner is urged to telephone Applicant's undersigned counsel at the number noted below if it will advance the prosecution of this application, or with any suggestion to resolve any condition that would impede allowance. The Commissioner is hereby authorized to charge any additional required fees (including all extension of time fees), or credit any overpayment, to Deposit Account No. 50-3219, Order No. 1906-3-Polestar, ***but only after the PTO makes the showings requested in the opening paragraphs of this paper.***

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[59] *Braeken* holds that the Board does not have authority to instruct the Examiner precisely how to write a rejection. The Board need not do so—the Director has already done so, in the MPEP. The Board should simply remit the application to the Director's duty to "cause an examination to be made" under 5 U.S.C. § 131.

Respectfully submitted,

POLESTAR CAPITAL ASSOCIATES, LLC.

Dated: November 5, 2009

By: [signature]

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CLAIMS APPENDIX ONE

to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

Claims as Amended November 26, 2007

Claims as Amended November 26, 2007

1. A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing tenant improvements to the space from a special purpose entity to the tenant under an improvements lease that is distinct from the space lease, the special purpose entity being a legal entity owned under tax accounting rules by a landlord of the space, the special purpose entity owning the improvements lease;

development of the tenant improvements being financed by the special purpose entity, the special purpose entity being capitalized by: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity of at least about eighty percent of the value of the tenant improvements, the debt being non-recourse against the special purpose entity, the landlord and the improvements and being secured by an absolute obligation of the tenant;

receiving a rent payment from the tenant to the special purpose entity under the improvements lease, the rent payments under the improvements lease having a present value at least equal to a value of the improvements at a time of commencement of the improvements lease;

the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant;

at least some portion of the improvements lease being or having been performed with assistance of a computer.

2. A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing improvements to the space to the tenant under an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease;

at least some portion of the improvements lease being or having been performed with assistance of a computer.

3. The method of claim 2, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

4. The method of claim 3, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

5. The method of claim 3, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

6. The method of claim 5, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements.

7. The method of claim 3, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

8. The method of claim 3, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

9. The method of claim 8 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

10. The method of claim 8 wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord.

11. The method of claim 8, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

12. The method of claim 8:

wherein a building in which the space is located is encumbered by a mortgage;

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

13. The method of claim 3, wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease.

14. The method of claim 3, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are cross-collateralized.

15. The method of claim 3, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are not cross-collateralized.

16. The method of claim 3, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by a lien on the improvements.

17. The method of claim 3, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt not being secured by a lien on the improvements.

18. The method of claim 2, wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association.

19. The method of claim 2, wherein the special purpose entity has no ownership interest in any real property that includes the space.

20. The method of claim 2, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

21. The method of claim 2, the improvements being off-balance-sheet for the tenant, financing for the improvements being related to the cost of funds of the tenant.

22. The method of claim 2, wherein financing for the improvements is provided by an entity other than the tenant.

23. The method of claim 2, further comprising the step of:

entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction.

24. The method of claim 2, wherein:

rent payments under the improvements lease are secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant.

25. The method of claim 2, wherein:

the tenant is the only tenant in a building in which the space is located.

26. The method of claim 2, wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the plurality of tenants.

27. The method of claim 2, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

28. A computer, programmed:

to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements that is lease distinct from the corresponding space lease, each improvements lease to be structured together with the corresponding space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease; and

to solicit offers of financing from lenders to the tenants' proposals, and notify the respective tenant and lender when an offer matches a proposal.

29. The computer of claim 28, being further programmed:

to solicit offers of financing using an auction protocol.

30. The computer of claim 28, being further programmed:

to store information on a plurality of tenant improvement loans closed between tenants and landlords, and to analyze the information.

31. A method, comprising the steps of:

leasing a space to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration"; and

leasing improvements to the space from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant;

at least some portion of the improvements lease is or has been performed with assistance of a computer.

32. The method of claim 31, wherein:

the improvements are financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

33. The method of claim 32, wherein the debt is secured by a rent obligation of the tenant under the improvements lease.

34. The method of claim 31, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

35. The method of claim 31, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

36. The method of claim 31, further comprising the step of:

capitalizing the special purpose entity by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

37. The method of claim 31, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

38. The method of claim 37 wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord.

39. The method of claim 37, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord and tenant, and the landlord owns a participation in the loan made to the special purpose entity.

40. The method of claim 31:

wherein a building in which the space is located is encumbered by a mortgage; and

further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

41. The method of claim 31, wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease.

42. The method of claim 31, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are cross-collateralized.

43. The method of claim 31, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are not cross-collateralized.

44. The method of claim 31, wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association.

45. The method of claim 31, wherein the special purpose entity has no ownership interest in any real property that includes the space.

46. The method of claim 31, the improvements being off-balance-sheet for the tenant, financing for the improvements being related to the cost of funds of the tenant.

47. The method of claim 31, wherein financing for the improvements is provided by an entity other than the tenant.

48. The method of claim 31, further comprising the step of:

entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction.

49. The method of claim 31, wherein:

rent payments under the improvements lease are secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant.

50. The method of claim 31, wherein:

the tenant is the only tenant in a building in which the space is located.

51. The method of claim 31, wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the plurality of tenants.

52. The method of claim 31, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

53. (original) A computer, programmed:

to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements lease distinct from the corresponding space lease, each improvements lease providing for lease of tenant improvements from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity to be consolidated with financial statements of the landlord, rent payments under the improvements lease to be fully tax deductible to the tenant;

to solicit offers of financing from lenders to the tenants' proposals, and notify the respective tenant and lender when an offer matches a proposal.

54. The computer of claim 53, being further programmed:

to solicit offers of financing using an auction protocol.

55. The computer of claim 53, being further programmed:

to store information on a plurality of tenant improvement loans closed between tenants and landlords, and to analyze the information.

56. A method, comprising the steps of:

leasing an interest in real estate from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity owned by a landlord of the real estate that includes the leased interest, the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset;

at least some portion of the lease being or having been performed with assistance of a computer.

57. The method of claim 56, wherein the interest leased is an interest in a shorter-lived asset, and further comprising the step of:

leasing a longer-lived asset to the tenant, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease and classified as an operating lease.

58. The method of claim 56, further comprising the step of:

leasing tenant improvements within a space from the special purpose entity to the tenant under the lease of claim 56, the special purpose entity being a legal entity owned, or leased the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

59. The method of claim 56, wherein the debt is secured by a triple-net absolute rent obligation of the tenant under a lease of the improvements.

60. A method, comprising the steps of:

leasing a longer-lived asset and a shorter-lived asset to a lessee under two separate leases, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease;

at least some portion of leasing the shorter-lived asset being or having been performed with assistance of a computer.

61. The method of claim 60, wherein:

the longer-lived asset is a space in a building; and

the shorter-lived asset is tenant improvements to the space.

62. The method of claim 61, wherein:

the tenant improvements are owned by a special purpose entity, being a legal entity owned by a landlord of the space.

63. The method of claim 62, further comprising the steps of:

capitalizing the special purpose entity by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

64. The method of claim 62, wherein:

rent payments under the improvements lease are fully tax deductible to the lessee.

65. The method of claim 62, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

66. The method of claim 62, wherein:

the building is divided for lease to multiple lessees.

67. The method of claim 66, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the lessee.

68. The method of claim 62, wherein the tenant improvements have been constructed and are owned by the landlord, the lessee, or jointly by landlord and lessee;

and further comprising the step of conveying or leasing the tenant improvements to the special purpose entity before or concurrently with entry into the improvements lease.

69. The method of claim 62, wherein:

the landlord owns a plurality of special purpose entities, each owning tenant improvements for lease to a lessee.

70. The method of claim 62, wherein the special purpose entity has no ownership interest in any real property that includes the space.

71. The method of claim 61, the tenant improvements being off-balance-sheet for the lessee, financing for the improvements being related to the cost of funds of the lessee.

72. The method of claim 61, further comprising the step of:

entry by the lessee into an obligation to construct the tenant improvements and to assume costs associated with the construction.

73. The method of claim 61, wherein:

upon an event of default under the improvements lease, the lessee is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

74. A method, comprising the steps of:

leasing tenant improvements within a space from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity owned by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements;

at least some portion of the tenant improvements lease being or having been performed with assistance of a computer.

75. The method of claim 74, wherein:

the building is divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

76. The method of claim 75 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

77. The method of claim 75:

wherein a building in which the space is located is encumbered by a mortgage; and

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

78. The method of claim 74, wherein:

financial statements of the special purpose entity are consolidated with financial statements of the landlord.

79. The method of claim 78, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

80. The method of claim 78, wherein:

the tenant improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the tenant improvements.

81. The method of claim 80, wherein the debt is secured by a triple-net absolute rent obligation of the tenant under a lease of the tenant improvements.

82. The method of claim 78, wherein:

the tenant improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the tenant improvements to the special purpose entity before or concurrently with entry into the improvements lease.

83. The method of claim 78, wherein:

the tenant improvements being financed by debt issued by the special purpose entity, the debt not being secured by a lien on the tenant improvements.

84. The method of claim 74, wherein the special purpose entity is a limited liability company or limited partnership.

85. The method of claim 74, wherein the special purpose entity is a grantor trust or business trust.

86. The method of claim 74, wherein the special purpose entity is a corporation.

87. The method of claim 74, wherein the special purpose entity has no ownership interest in any real property that includes the space.

88. The method of claim 74, the tenant improvements being off-balance-sheet for the tenant, financing for the tenant improvements being related to the cost of funds of the tenant.

89. The method of claim 74, wherein financing for the tenant improvements is provided by an entity other than the tenant.

90. The method of claim 74, wherein:

the tenant is the only tenant in a building in which the space is located.

91. The method of claim 74, wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the plurality of tenants.

92. The method of claim 74, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the tenant improvements from the special purpose entity for a stipulated amount.

93. A method, comprising the steps of:

leasing an interest in a space from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity owned by a landlord of the building including the space, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant;

at least some portion of the lease of the interest being or having been performed with assistance of a computer.

94. The method of claim 93, wherein the interest is a possessory interest in improvements to the space, the space being leased to the tenant under a separate lease, rent payments under the improvements lease having a present value at least equal to a cost of the improvements at a time of commencement of the improvements lease.

95. The method of claim 94, further comprising the step of:

structuring the improvements lease together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

96. The method of claim 93 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

97. The method of claim 93 wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord.

98. The method of claim 93, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

99. The method of claim 93, wherein:

the improvements are financed by debt issued by the special purpose entity, the debt not being secured by a lien on the improvements.

100. The method of claim 93, wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association.

101. The method of claim 93, wherein financing for the improvements is provided by an entity other than the tenant.

102. A method, comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

leasing the space from a landlord to the tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration"; and

leasing the improvements to the tenant under an improvements lease that is distinct from the space lease;

at least some portion of the improvements lease being or having been performed with assistance of a computer.

103. The method of claim 102, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

104. The method of claim 102, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

105. The method of claim 103, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

106. The method of claim 105, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements.

107. The method of claim 103, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

108. The method of claim 103, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

109. The method of claim 108, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

110. The method of claim 108:

wherein a building in which the space is located is encumbered by a mortgage;

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

111. The method of claim 103, wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease.

112. The method of claim 103, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by a lien on the improvements.

113. The method of claim 103, wherein:

upon an event of default under the improvements lease, the tenant assumes an obligation to purchase the improvements from the special purpose entity for a stipulated amount.

114. The method of claim 102, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the improvements lease is to be classified as an operating lease.

115. The method of claim 102, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

116. The method of claim 102, the improvements being off-balance-sheet for the tenant.

117. The method of claim 102, further comprising the step of:

entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction.

118. The method of claim 102, wherein:

rent payments under the improvements lease are secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant.

119. A method, comprising the steps of:

leasing an interest in real estate from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity distinct from a landlord of the real estate that includes the leased interest, the landlord having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the lease, the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset;

at least some portion of the lease being or having been performed with assistance of a computer.

120. The method of claim 119, further comprising the steps of:

leasing a space from the landlord to the tenant under a space lease;

leasing improvements to the space from the special purpose entity to the tenant under the lease of claim 119, being an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease.

121. The method of claim 119, further comprising the steps of::

leasing a space from the landlord to the tenant under a space lease;

leasing improvements to the space from a special purpose entity to the tenant under the lease of claim 119, being an improvements lease that is distinct from the space lease, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant.

122. The method of claim 119, wherein the interest leased is an interest in a shorter-lived asset, and further comprising the step of:

leasing a longer-lived asset to the tenant, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease and classified as an operating lease.

123. The method of claim 119, further comprising the step of:

leasing tenant improvements within a space from a special purpose entity to a tenant under the lease of claim 119, the special purpose entity being a legal entity owned, or leased

the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

124. The method of claim 119, wherein:

the special purpose entity is a legal entity owned by a landlord of a building, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant.

125. The method of claim 119, further comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

leasing the space from the landlord to the tenant under a space lease; and

leasing the improvements to the tenant under the lease of claim 119, being an improvements lease that is distinct from the space lease.

126. The method of claim 2, wherein:

the portion of the lease performed with assistance of a computer includes soliciting the improvements lease.

127. The method of claim 2, wherein:

the portion of the lease performed with assistance of a computer includes originating the improvements lease.

128. The method of claim 2, wherein:

the portion of the lease performed with assistance of a computer includes managing the improvements lease.

129. The method of claim 2, wherein:

the portion of the lease performed with assistance of a computer includes analyzing the improvements lease.

130. A method, comprising the steps of:

leasing tenant improvements within a space from a special purpose entity to a tenant under a tenant improvements lease, the landlord of the space having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the tenant improvements lease, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements;

at least some portion of the tenant improvements lease being or having been performed with assistance of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, the special purpose entity, a credit rating, a transaction date, a dollar amount, a loan purchaser, and a loan securitization.

131. The method of claim 130, wherein:

the building is divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

132. The method of claim 131 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

133. A method, comprising the steps of:

receiving a rent payment under a lease of a space from a landlord to a tenant under a space lease;

receiving a rent payment under a lease of improvements to the space to the tenant under an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease;

at least some portion of the improvements lease being or having been performed with assistance of a computer.

134. The method of claim 133, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

135. The method of claim 134, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

136. The method of claim 134, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

137. The method of claim 134, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and

(b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

138. The method of claim 134, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

139. The method of claim 133, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

140. A method, comprising the steps of:

receiving a rent payment under a lease of a space to a tenant; and

receiving a rent payment under a lease of improvements to the space from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant;

at least some portion of the improvements lease being or having been performed with assistance of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, a credit rating, a transaction date, a dollar amount, a loan purchaser, and a loan securitization.

141. The method of claim 140, wherein:

the improvements are financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

142. The method of claim 140, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

143. The method of claim 140, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

144. The method of claim 140, further comprising the step of:

capitalizing the special purpose entity by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

145. The method of claim 140, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

146. The method of claim 140, wherein the special purpose entity has no ownership interest in any real property that includes the space.

147. The method of claim 140, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

148. A method, comprising the steps of:

receiving a rent payment under leases of a longer-lived asset and a shorter-lived asset to a lessee under two separate leases, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease;

at least some portion of leasing the shorter-lived asset being or having been performed with assistance of a computer, data processed by the computer representing one or more of a group consisting of a lessor, the lessee, a credit rating, a transaction date, a dollar amount, a loan purchaser, and a loan securitization.

149. The method of claim 148, wherein:

the longer-lived asset is a space in a building; and

the shorter-lived asset is tenant improvements to the space.

150. The method of claim 149, further comprising the steps of:

capitalizing a special purpose entity, being a legal entity owned by a landlord of the space, by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

151. The method of claim 150, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the lessee.

152. The method of claim 148, wherein:

rent payments under the lease to the shorter-lived asset are fully tax deductible to the lessee.

153. The method of claim 148, wherein:

the longer-lived asset is space in a building divided for lease to multiple lessees.

154. A method, comprising the steps of:

receiving a rent payment under a lease of tenant improvements within a space from a special purpose entity to a tenant, the landlord having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the tenant improvements lease, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements;

at least some portion of the tenant improvements lease being or having been performed with assistance of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, the special purpose entity, a credit rating, a transaction date, a dollar amount, a loan purchaser, and a loan securitization.

155. The method of claim 154, wherein:

the building is divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

156. The method of claim 154, wherein:

rent payments under the tenant improvements lease are fully tax deductible to the tenant.

157. The method of claim 154, wherein:

the tenant improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the tenant improvements.

158. A method, comprising the steps of:

receiving a rent payment under a lease of an interest in a space from a special purpose entity to a tenant, the special purpose entity being a legal entity owned by a landlord of the building including the space, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant;

at least some portion of the lease of the interest being or having been performed with assistance of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, the special purpose entity, a credit rating, a transaction date, a dollar amount, a loan purchaser, and a loan securitization.

159. The method of claim 158, wherein the interest is a possessory interest in improvements to the space, the space being leased to the tenant under a separate lease, rent payments under the improvements lease having a present value at least equal to a cost of the improvements at a time of commencement of the improvements lease.

160. The method of claim 159, further comprising the step of:

structuring the improvements lease together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

161. A method, comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

receiving a rent payment under a lease of the space from a landlord to the tenant under a space lease; and

receiving a rent payment under a lease of the improvements to the tenant under an improvements lease that is distinct from the space lease;

at least some portion of the improvements lease being or having been performed with assistance of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, a credit rating, a transaction date, a dollar amount, a loan purchaser, and a loan securitization.

162. The method of claim 161, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

163. The method of claim 161, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

164. The method of claim 162, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

165. The method of claim 164, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements.

166. The method of claim 162, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

167. The method of claim 162, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

168. The method of claim 167, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

169. The method of claim 162, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by a lien on the improvements.

170. The method of claim 161, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the improvements lease is to be classified as an operating lease.

171. The method of claim 161, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

172. A method, comprising the steps of:

receiving a rent payment under a lease of an interest in real estate from a special purpose entity to a tenant, the special purpose entity being a legal entity distinct from a landlord of the real estate that includes the leased interest, the landlord having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the lease, the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset;

at least some portion of the lease being or having been performed with assistance of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, the special purpose entity, a credit rating, a transaction date, a dollar amount, a loan purchaser, and a loan securitization.

173. The method of claim 172, further comprising the steps of:

receiving a rent payment under a lease of a space from the landlord to the tenant under a space lease;

receiving a rent payment under a lease of improvements to the space from the special purpose entity to the tenant under the lease of claim 172, being an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease.

174. The method of claim 172, further comprising the steps of::

receiving a rent payment under a lease of a space from the landlord to the tenant under a space lease;

receiving a rent payment under a lease of improvements to the space from a special purpose entity to the tenant under the lease of claim 172, being an improvements lease that is distinct from the space lease, the landlord of the space being the owner of, or lessor of the

improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant.

175. The method of claim 172, wherein the interest leased is an interest in a shorter-lived asset, and further comprising the step of:

receiving a rent payment under a lease of a longer-lived asset to the tenant, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease and classified as an operating lease.

176. The method of claim 172, further comprising the step of:

receiving a rent payment under a lease of tenant improvements within a space from a special purpose entity to a tenant under the lease of claim 172, the special purpose entity being a legal entity owned, or leased the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

177. The method of claim 172, wherein:

the special purpose entity is a legal entity owned by a landlord of a building, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant.

178. The method of claim 172, further comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

receiving a rent payment under a lease of the space from the landlord to the tenant under a space lease; and

receiving a rent payment under a lease of the improvements to the tenant under the lease of claim 172, being an improvements lease that is distinct from the space lease.

179. A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing improvements to the space to the tenant under an improvements lease that is [a] distinct from the space lease and [b] structured together with the space lease to support an accounting conclusion that [b][1] the space lease and improvements lease are to be considered together as a single lease and [b][2] classified as an operating lease, and [c] at least some portion of the improvements lease being or having been performed with assistance of a computer.

180. A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting or maintaining a grant to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing improvements to the space to the tenant under an improvements lease that is distinct from the space lease;

the improvements lease and the space lease being consolidated together as a single operating lease for financial accounting purposes;

at least some portion of soliciting, originating, managing, or analyzing the improvements lease being or having been performed with assistance of a computer.

181. A computer system, comprising:

hardware and/or software designed to assist a tenant in entering an improvements lease, the improvements lease to grant the tenant possession and use of improvements to a space leased to the tenant under a space lease that is distinct from the improvements lease;

data stored in a tangible memory of the computer system providing that the space lease and improvements lease are to be consolidated together as a single lease for financial accounting;

data stored in a tangible memory of the computer system providing that, for financial accounting, the consolidated lease is to be treated as an operating lease.

CLAIMS APPENDIX TWO

to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

Claim Amendments that Must be Entered Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6

CLAIMS

1. (currently amended) A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing tenant improvements to the space from a special purpose entity to the tenant under an improvements lease that is distinct from the space lease, the special purpose entity being a legal entity owned under tax accounting rules by a landlord of the space, the special purpose entity owning the improvements lease;

development of the tenant improvements being financed by the special purpose entity, the special purpose entity being capitalized by: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity of at least about eighty percent of the value of the tenant improvements, the debt being non-recourse against the special purpose entity, the landlord and the improvements and being secured by an absolute obligation of the tenant;

receiving a rent payment from the tenant to the special purpose entity under the improvements lease, the rent payments under the improvements lease having a present value at least equal to a value of the improvements at a time of commencement of the improvements lease;

the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant;

at least some portion of the improvements lease being or having been performed with assistance of a computer processing data in a tangible memory of the computer.

2. (currently amended) A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing improvements to the space to the tenant under an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease;

at least some portion of the improvements lease being or having been performed with assistance of a computer processing data in a tangible memory of the computer.

3. (previously presented) The method of claim 2, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

4. (original) The method of claim 3, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

5. (original) The method of claim 3, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

6. (original) The method of claim 5, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements.

7. (original) The method of claim 3, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

8. (original) The method of claim 3, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

9. (original) The method of claim 8 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

10. (original) The method of claim 8 wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord.

11. (original) The method of claim 8, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

12. (previously presented) The method of claim 8:

wherein a building in which the space is located is encumbered by a mortgage;

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

13. (original) The method of claim 3, wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease.

14. (original) The method of claim 3, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are cross-collateralized.

15. (original) The method of claim 3, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are not cross-collateralized.

16. (original) The method of claim 3, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by a lien on the improvements.

17. (original) The method of claim 3, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt not being secured by a lien on the improvements.

18. (original) The method of claim 2, wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association.

19. (original) The method of claim 2, wherein the special purpose entity has no ownership interest in any real property that includes the space.

20. (original) The method of claim 2, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

21. (original) The method of claim 2, the improvements being off-balance-sheet for the tenant, financing for the improvements being related to the cost of funds of the tenant.

22. (original) The method of claim 2, wherein financing for the improvements is provided by an entity other than the tenant.

23. (original) The method of claim 2, further comprising the step of:

entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction.

24. (original) The method of claim 2, wherein:

rent payments under the improvements lease are secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant.

25. (original) The method of claim 2, wherein:

the tenant is the only tenant in a building in which the space is located.

26. (original) The method of claim 2, wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the plurality of tenants.

27. (original) The method of claim 2, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

28. (previously presented) A computer, programmed:

to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements that is lease distinct from the corresponding space lease, each improvements lease to be structured together with the corresponding space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease; and

to solicit offers of financing from lenders to the tenants' proposals, and notify the respective tenant and lender when an offer matches a proposal.

29. (original) The computer of claim 28, being further programmed:

to solicit offers of financing using an auction protocol.

30. (original) The computer of claim 28, being further programmed:

to store information on a plurality of tenant improvement loans closed between tenants and landlords, and to analyze the information.

31. (previously presented) A method, comprising the steps of:

leasing a space to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration"; and

leasing improvements to the space from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant;

at least some portion of the improvements lease being or having ~~is or has~~ been performed with assistance of a computer processing data in a tangible memory of the computer.

32. (original) The method of claim 31, wherein:

the improvements are financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

33. (previously presented) The method of claim 32, wherein the debt is secured by a rent obligation of the tenant under the improvements lease.

34. (original) The method of claim 31, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

35. (original) The method of claim 31, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

36. (previously presented) The method of claim 31, further comprising the step of:

capitalizing the special purpose entity by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

37. (original) The method of claim 31, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

38. (original) The method of claim 37 wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord.

39. (original) The method of claim 37, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord and tenant, and the landlord owns a participation in the loan made to the special purpose entity.

40. (original) The method of claim 31:

wherein a building in which the space is located is encumbered by a mortgage; and

further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

41. (original) The method of claim 31, wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease.

42. (original) The method of claim 31, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are cross-collateralized.

43. (original) The method of claim 31, wherein:

equity and/or debt investments by the landlord in a plurality of special purpose entities owned by the landlord, each special purpose entity owning improvements for lease to a corresponding tenant, are not cross-collateralized.

44. (original) The method of claim 31, wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association.

45. (original) The method of claim 31, wherein the special purpose entity has no ownership interest in any real property that includes the space.

46. (original) The method of claim 31, the improvements being off-balance-sheet for the tenant, financing for the improvements being related to the cost of funds of the tenant.

47. (original) The method of claim 31, wherein financing for the improvements is provided by an entity other than the tenant.

48. (original) The method of claim 31, further comprising the step of:

entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction.

49. (original) The method of claim 31, wherein:

rent payments under the improvements lease are secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant.

50. (original) The method of claim 31, wherein:

the tenant is the only tenant in a building in which the space is located.

51. (original) The method of claim 31, wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the plurality of tenants.

52. (original) The method of claim 31, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

53. (original) A computer, programmed:

to solicit proposals from tenants for financing for tenant improvements to spaces leased by the respective tenants under respective space leases, each proposal offering terms for lease of tenant improvements to the corresponding space under an improvements lease distinct from the corresponding space lease, each improvements lease providing for lease of tenant improvements from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the tenant improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity to be consolidated with

financial statements of the landlord, rent payments under the improvements lease to be fully tax deductible to the tenant;

to solicit offers of financing from lenders to the tenants' proposals, and notify the respective tenant and lender when an offer matches a proposal.

54. (original) The computer of claim 53, being further programmed:

to solicit offers of financing using an auction protocol.

55. (original) The computer of claim 53, being further programmed:

to store information on a plurality of tenant improvement loans closed between tenants and landlords, and to analyze the information.

56. (currently amended) A method, comprising the steps of:

leasing an interest in real estate from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity owned by a landlord of the real estate that includes the leased interest, the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset;

at least some portion of the lease being or having been performed with assistance of a computer by processing data in a tangible memory of the computer.

57. (previously presented) The method of claim 56, wherein the interest leased is an interest in a shorter-lived asset, and further comprising the step of:

leasing a longer-lived asset to the tenant, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease and classified as an operating lease.

58. (previously presented) The method of claim 56, further comprising the step of:

leasing tenant improvements within a space from the special purpose entity to the tenant under the lease of claim 56, the special purpose entity being a legal entity owned, or leased the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

59. (original) The method of claim 56, wherein the debt is secured by a triple-net absolute rent obligation of the tenant under a lease of the improvements.

60. (currently amended) A method, comprising the steps of:

leasing a longer-lived asset and a shorter-lived asset to a lessee under two separate leases, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

at least some portion of the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease;

at least some portion of leasing the shorter-lived asset being or having been performed with assistance of a computer by processing data in a tangible memory of the computer.

61. (original) The method of claim 60, wherein:

the longer-lived asset is a space in a building; and

the shorter-lived asset is tenant improvements to the space.

62. (previously presented) The method of claim 61, wherein:

the tenant improvements are owned by a special purpose entity, being a legal entity owned by a landlord of the space.

63. (previously presented) The method of claim 62, further comprising the steps of:

capitalizing the special purpose entity by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

64. (original) The method of claim 62, wherein:

rent payments under the improvements lease are fully tax deductible to the lessee.

65. (previously presented) The method of claim 62, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

66. (original) The method of claim 62, wherein:

the building is divided for lease to multiple lessees.

67. (original) The method of claim 66, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the lessee.

68. (previously presented) The method of claim 62, wherein the tenant improvements have been constructed and are owned by the landlord, the lessee, or jointly by landlord and lessee;

and further comprising the step of conveying or leasing the tenant improvements to the special purpose entity before or concurrently with entry into the improvements lease.

69. (previously presented) The method of claim 62, wherein:

the landlord owns a plurality of special purpose entities, each owning tenant improvements for lease to a lessee.

70. (original) The method of claim 62, wherein the special purpose entity has no ownership interest in any real property that includes the space.

71. (previously presented) The method of claim 61, the tenant improvements being off-balance-sheet for the lessee, financing for the improvements being related to the cost of funds of the lessee.

72. (previously presented) The method of claim 61, further comprising the step of:

entry by the lessee into an obligation to construct the tenant improvements and to assume costs associated with the construction.

73. (original) The method of claim 61, wherein:

upon an event of default under the improvements lease, the lessee is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

74. (currently amended) A method, comprising the steps of:

leasing tenant improvements within a space from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity owned by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements;

at least some portion of the tenant improvements lease being or having been performed with assistance of a computer by processing data in a tangible memory of the computer.

75. (original) The method of claim 74, wherein:

the building is divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

76. (original) The method of claim 75 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

77. (original) The method of claim 75:

wherein a building in which the space is located is encumbered by a mortgage; and

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

78. (original) The method of claim 74, wherein:

financial statements of the special purpose entity are consolidated with financial statements of the landlord.

79. (original) The method of claim 78, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

80. (previously presented) The method of claim 78, wherein:

the tenant improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the tenant improvements.

81. (previously presented) The method of claim 80, wherein the debt is secured by a triple-net absolute rent obligation of the tenant under a lease of the tenant improvements.

82. (previously presented) The method of claim 78, wherein:

the tenant improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the tenant improvements to the special purpose entity before or concurrently with entry into the improvements lease.

83. (previously presented) The method of claim 78, wherein:

the tenant improvements being financed by debt issued by the special purpose entity, the debt not being secured by a lien on the tenant improvements.

84. (original) The method of claim 74, wherein the special purpose entity is a limited liability company or limited partnership.

85. (original) The method of claim 74, wherein the special purpose entity is a grantor trust or business trust.

86. (original) The method of claim 74, wherein the special purpose entity is a corporation.

87. (original) The method of claim 74, wherein the special purpose entity has no ownership interest in any real property that includes the space.

88. (previously presented) The method of claim 74, the tenant improvements being off-balance-sheet for the tenant, financing for the tenant improvements being related to the cost of funds of the tenant.

89. (previously presented) The method of claim 74, wherein financing for the tenant improvements is provided by an entity other than the tenant.

90. (original) The method of claim 74, wherein:

the tenant is the only tenant in a building in which the space is located.

91. (original) The method of claim 74, wherein the space is one of a plurality of spaces of a building divided for lease to a plurality of tenants, and the tenant is one of the plurality of tenants.

92. (previously presented) The method of claim 74, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the tenant improvements from the special purpose entity for a stipulated amount.

93. (previously presented) A method, comprising the steps of:

leasing an interest in a space from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity owned by a landlord of the building including the space, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant;

at least some portion of the lease of the interest being or having been performed with assistance of a computer by processing data in the tangible memory of the computer.

94. (original) The method of claim 93, wherein the interest is a possessory interest in improvements to the space, the space being leased to the tenant under a separate lease, rent payments under the improvements lease having a present value at least equal to a cost of the improvements at a time of commencement of the improvements lease.

95. (original) The method of claim 94, further comprising the step of:

structuring the improvements lease together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

96. (original) The method of claim 93 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

97. (original) The method of claim 93 wherein at least 10% of capitalization for the special purpose entity is contributed by the landlord.

98. (original) The method of claim 93, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

99. (original) The method of claim 93, wherein:

the improvements are financed by debt issued by the special purpose entity, the debt not being secured by a lien on the improvements.

100. (original) The method of claim 93, wherein the special purpose entity is a limited liability company, grantor trust, business trust, corporation, limited partnership, or other business association.

101. (original) The method of claim 93, wherein financing for the improvements is provided by an entity other than the tenant.

102. (previously presented) A method, comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

leasing the space from a landlord to the tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration"; and

leasing the improvements to the tenant under an improvements lease that is distinct from the space lease;

at least some portion of the improvements lease being or having been performed with assistance of [[a]] computer processing of data in a tangible memory of the computer.

103. (previously presented) The method of claim 102, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

104. (previously presented) The method of claim 102, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

105. (previously presented) The method of claim 103, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

106. (previously presented) The method of claim 105, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements.

107. (previously presented) The method of claim 103, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

108. (previously presented) The method of claim 103, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

109. (previously presented) The method of claim 108, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

110. (previously presented) The method of claim 108:

wherein a building in which the space is located is encumbered by a mortgage;

and further comprising the step of, entry by the lender to the special purpose entity and a mortgagee of the mortgage into an inter-creditor agreement, each waiving any interest in the other's collateral.

111. (previously presented) The method of claim 103, wherein the improvements have been constructed and are owned by the landlord, the tenant or jointly by landlord and tenant;

and further comprising the step of conveying or leasing the improvements to the special purpose entity before or concurrently with entry into the improvements lease.

112. (previously presented) The method of claim 103, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by a lien on the improvements.

113. (previously presented) The method of claim 103, wherein:

upon an event of default under the improvements lease, the tenant assumes an obligation to purchase the improvements from the special purpose entity for a stipulated amount.

114. (previously presented) The method of claim 102, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the improvements lease is to be classified as an operating lease.

115. (previously presented) The method of claim 102, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

116. (previously presented) The method of claim 102, the improvements being off-balance-sheet for the tenant.

117. (previously presented) The method of claim 102, further comprising the step of:

entry by the tenant into an obligation to construct the improvements and to assume costs associated with the construction.

118. (previously presented) The method of claim 102, wherein:

rent payments under the improvements lease are secured, in full or in part, by a personal or corporate guaranty or by a letter of credit of the tenant.

119. (currently amended) A method, comprising the steps of:

leasing an interest in real estate from a special purpose entity to a tenant, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration", the special purpose entity being a legal entity distinct from a landlord of the real estate that includes the leased interest, the landlord having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the lease, the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset;

at least some portion of the lease being or having been performed with assistance of [[a]] computer processing of data in a tangible memory of the computer, the data representing one or more of a group consisting of the landlord, the tenant, or a loan purchaser.

120. (previously presented) The method of claim 119, further comprising the steps of:

leasing a space from the landlord to the tenant under a space lease;

leasing improvements to the space from the special purpose entity to the tenant under the lease of claim 119, being an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease.

121. (previously presented) The method of claim 119, further comprising the steps of::

leasing a space from the landlord to the tenant under a space lease;

leasing improvements to the space from a special purpose entity to the tenant under the lease of claim 119, being an improvements lease that is distinct from the space lease, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant.

122. (previously presented) The method of claim 119, wherein the interest leased is an interest in a shorter-lived asset, and further comprising the step of:

leasing a longer-lived asset to the tenant, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease and classified as an operating lease.

123. (previously presented) The method of claim 119, further comprising the step of:

leasing tenant improvements within a space from a special purpose entity to a tenant under the lease of claim 119, the special purpose entity being a legal entity owned, or leased the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

124. (previously presented) The method of claim 119, wherein:

the special purpose entity is a legal entity owned by a landlord of a building, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant.

125. (previously presented) The method of claim 119, further comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

leasing the space from the landlord to the tenant under a space lease; and

leasing the improvements to the tenant under the lease of claim 119, being an improvements lease that is distinct from the space lease.

126. (currently amended) The method of claim 2, wherein:

the portion of the lease performed <u>by processing data in the tangible memory</u> ~~with assistance~~ of a computer includes <u>formatting or buffering messages for transmission to or received from a potential lessor or lessee on a tangible network, or displaying data on a tangible display, the data providing a</u> solicit<u>ation to enter</u> [[ing]] the improvements lease.

127. (currently amended) The method of claim 2, wherein:

the portion of the improvements lease performed by processing data in the tangible memory ~~with assistance~~ of a computer includes formatting or buffering data for transmission to or received from a potential lessor or lessee over a tangible network, or displaying data on a tangible display, or storing data in a tangible memory, the data containing terms of the improvements lease and reflecting origination of [[ing]] the improvements lease.

128. (currently amended) The method of claim 2, wherein:

the portion of the improvements lease performed by processing data in the tangible memory ~~with assistance~~ of a computer includes formatting or buffering data for transmission to or received from the lessor, lessee or a servicer over a tangible network, or displaying data on a tangible display, or storing data in a tangible memory, the data containing terms of the improvements lease, the data being transmitted, displayed or stored on a computer of the lessor, lessee, or servicer under control of programs for managing or servicing the improvements lease.

129. (currently amended) The method of claim 2, wherein:

the portion of the improvements lease performed by processing data in the tangible memory ~~with assistance~~ of a computer includes formatting or buffering data for transmission to or received from the lessor, lessee, investor or lender over a tangible network, or displaying data on a tangible display, or storing data in a tangible memory, the data containing terms of the improvements lease, the data being transmitted, displayed or stored on a computer of the lessor, lessee, investor or lender under control of programs for financial analysis of [[zing]] the improvements lease.

130. (currently amended) A method, comprising the steps of:

leasing tenant improvements within a space from a special purpose entity to a tenant under a tenant improvements lease, the landlord of the space having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the tenant improvements lease, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements;

at least some portion of the tenant improvements lease being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, a dollar amount of a transaction, and a loan purchaser.

131. (previously presented) The method of claim 130, wherein:

the building is divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

132. (previously presented) The method of claim 131 wherein at least 3% of capitalization for the special purpose entity is a loan participation by the landlord.

133. (currently amended) A method, comprising the steps of:

receiving a rent payment under a lease of a space from a landlord to a tenant under a space lease;

receiving a rent payment under a lease of improvements to the space to the tenant under an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease;

at least some portion of the improvements lease being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer, the data representing one or more of a group consisting of the landlord, the tenant, and a loan purchaser.

134. (previously presented) The method of claim 133, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

135. (previously presented) The method of claim 134, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

136. (previously presented) The method of claim 134, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

137. (previously presented) The method of claim 134, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

138. (previously presented) The method of claim 134, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

139. (previously presented) The method of claim 133, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

140. (currently amended) A method, comprising the steps of:

receiving a rent payment under a lease of a space to a tenant; and

receiving a rent payment under a lease of improvements to the space from a special purpose entity to the tenant, a landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant;

at least some portion of the improvements lease being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, ~~a credit rating, a transaction date, a dollar amount,~~ and a loan purchaser ~~, and a loan securitization~~.

141. (previously presented) The method of claim 140, wherein:

the improvements are financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

142. (previously presented) The method of claim 140, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

143. (previously presented) The method of claim 140, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

144. (previously presented) The method of claim 140, further comprising the step of:

capitalizing the special purpose entity by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

145. (previously presented) The method of claim 140, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

146. (previously presented) The method of claim 140, wherein the special purpose entity has no ownership interest in any real property that includes the space.

147. (previously presented) The method of claim 140, wherein:

upon an event of default under the improvements lease, the tenant is obligated to purchase the improvements from the special purpose entity for a stipulated amount.

148. (currently amended) A method, comprising the steps of:

receiving a rent payment under leases of a longer-lived asset and a shorter-lived asset to a lessee under two separate leases, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease;

at least some portion of leasing the shorter-lived asset being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer, data processed by the computer representing one or more of a group consisting of a lessor, the lessee, ~~a credit rating, a transaction date, a dollar amount,~~ and a loan purchaser~~, and a loan securitization~~.

149. (previously presented) The method of claim 148, wherein:

the longer-lived asset is a space in a building; and

the shorter-lived asset is tenant improvements to the space.

150. (previously presented) The method of claim 149, further comprising the steps of:

capitalizing a special purpose entity, being a legal entity owned by a landlord of the space, by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

151. (previously presented) The method of claim 150, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the lessee.

152. (previously presented) The method of claim 148, wherein:

rent payments under the lease to the shorter-lived asset are fully tax deductible to the lessee.

153. (previously presented) The method of claim 148, wherein:

the longer-lived asset is space in a building divided for lease to multiple lessees.

154. (currently amended) A method, comprising the steps of:

receiving a rent payment under a lease of tenant improvements within a space from a special purpose entity to a tenant, the landlord having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the tenant improvements lease, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements;

at least some portion of the tenant improvements lease being or having been performed by processing data in the tangible memory ~~with assistance~~ of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, ~~the special purpose entity, a credit rating, a transaction date, a dollar amount,~~ and a loan purchaser ~~, and a loan securitization~~.

155. (previously presented) The method of claim 154, wherein:

the building is divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

156. (previously presented) The method of claim 154, wherein:

rent payments under the tenant improvements lease are fully tax deductible to the tenant.

157. (previously presented) The method of claim 154, wherein:

the tenant improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the tenant improvements.

158. (currently amended) A method, comprising the steps of:

receiving a rent payment under a lease of an interest in a space from a special purpose entity to a tenant, the special purpose entity being a legal entity owned by a landlord of the building including the space, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant;

at least some portion of the lease of the interest being or having been performed by processing data in the tangible memory ~~with assistance~~ of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, ~~the special purpose entity, a credit rating, a transaction date, a dollar amount,~~ and a loan purchaser ~~, and a loan securitization~~.

159. (previously presented) The method of claim 158, wherein the interest is a possessory interest in improvements to the space, the space being leased to the tenant under a

separate lease, rent payments under the improvements lease having a present value at least equal to a cost of the improvements at a time of commencement of the improvements lease.

160. (previously presented) The method of claim 159, further comprising the step of:

structuring the improvements lease together with the space lease to support an accounting conclusion that the two leases are to be considered together as a single lease, classified as an operating lease.

161. (currently amended) A method, comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

receiving a rent payment under a lease of the space from a landlord to the tenant under a space lease; and

receiving a rent payment under a lease of the improvements to the tenant under an improvements lease that is distinct from the space lease;

at least some portion of the improvements lease being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, ~~a credit rating, a transaction date, a dollar amount,~~ and a loan purchaser~~, and a loan securitization~~.

162. (previously presented) The method of claim 161, wherein:

the improvements are leased from a special purpose entity, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting, financial statements of the special purpose entity being consolidated with financial statements of the landlord.

163. (previously presented) The method of claim 161, wherein:

rent payments under the improvements lease are fully tax deductible to the tenant.

164. (previously presented) The method of claim 162, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the improvements.

165. (previously presented) The method of claim 164, wherein the debt is secured by a rent obligation of the tenant under a lease of the improvements.

166. (previously presented) The method of claim 162, wherein:

the special purpose entity is capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the improvements.

167. (previously presented) The method of claim 162, wherein:

at least about 80% of the capitalization of the special purpose entity is a loan to the special purpose entity secured by a triple-net absolute obligation of the tenant.

168. (previously presented) The method of claim 167, wherein:

a majority of the loan to the special purpose entity is supplied by a party other than the landlord, and the landlord owns a participation in the loan made to the special purpose entity.

169. (previously presented) The method of claim 162, wherein:

the improvements being financed by debt issued by the special purpose entity, the debt being secured at least in part by a lien on the improvements.

170. (previously presented) The method of claim 161, wherein:

the improvements lease is structured together with the space lease to support an accounting conclusion that the improvements lease is to be classified as an operating lease.

171. (previously presented) The method of claim 161, wherein:

rent payments under the improvements lease have a present value at least equal to a value of the improvements at a time of commencement of the improvements lease.

172. (currently amended) A method, comprising the steps of:

receiving a rent payment under a lease of an interest in real estate from a special purpose entity to a tenant, the special purpose entity being a legal entity distinct from a landlord of the real estate that includes the leased interest, the landlord having sufficient ownership in the special purpose entity to establish the landlord's genuine economic risk in the lease, the special purpose entity owning the lease of the leased interest, development of an asset underlying the leased interest being financed by debt issued by the special purpose entity, the debt being non-recourse against the special purpose entity, the landlord and the asset;

at least some portion of the lease being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer, data processed by the computer representing one or more of a group consisting of the landlord, the tenant, ~~the special purpose entity, a credit rating, a transaction date, a dollar amount,~~ and a loan purchaser ~~, and a loan securitization~~.

173. (previously presented) The method of claim 172, further comprising the steps of:

receiving a rent payment under a lease of a space from the landlord to the tenant under a space lease;

receiving a rent payment under a lease of improvements to the space from the special purpose entity to the tenant under the lease of claim 172, being an improvements lease that is distinct from the space lease, the improvements lease being structured together with the space lease to support an accounting conclusion that the space lease and improvements lease are to be considered together as a single lease and classified as an operating lease.

174. (previously presented) The method of claim 172, further comprising the steps of::

receiving a rent payment under a lease of a space from the landlord to the tenant under a space lease;

receiving a rent payment under a lease of improvements to the space from a special purpose entity to the tenant under the lease of claim 172, being an improvements lease that is distinct from the space lease, the landlord of the space being the owner of, or lessor of the improvements to, the special purpose entity under tax accounting rules, financial statements of the special purpose entity being consolidated with financial statements of the landlord, rent payments under the improvements lease being fully tax deductible to the tenant.

175. (previously presented) The method of claim 172, wherein the interest leased is an interest in a shorter-lived asset, and further comprising the step of:

receiving a rent payment under a lease of a longer-lived asset to the tenant, rent payments under the lease of the shorter-lived asset having a present value at least equal to a cost of the shorter-lived asset at a time of commencement of the lease of the shorter-lived asset;

the lease to the shorter-lived asset being structured together with the lease to the longer-lived asset to support an accounting conclusion that the two leases are to be considered together as a single lease and classified as an operating lease.

176. (previously presented) The method of claim 172, further comprising the step of:

receiving a rent payment under a lease of tenant improvements within a space from a special purpose entity to a tenant under the lease of claim 172, the special purpose entity being a legal entity owned, or leased the tenant improvements, by a landlord of the space, the special purpose entity being capitalized by participations comprising: (a) an equity investment by the landlord of at least three percent of the value of the tenant improvements and (b) debt issued by the special purpose entity for at least about eighty percent of the value of the tenant improvements.

177. (previously presented) The method of claim 172, wherein:

the special purpose entity is a legal entity owned by a landlord of a building, the building being divided for lease to multiple tenants, at least about 80% of the capitalization of the special purpose entity being a loan to the special purpose entity secured by an absolute obligation of the tenant.

178. (previously presented) The method of claim 172, further comprising the steps of:

improving a space, financing for the improvements being provided by an entity other than a tenant of the space, financing for the improvements being obtained at the tenant's cost of funds;

receiving a rent payment under a lease of the space from the landlord to the tenant under a space lease; and

receiving a rent payment under a lease of the improvements to the tenant under the lease of claim 172, being an improvements lease that is distinct from the space lease.

179. (previously presented) A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing improvements to the space to the tenant under an improvements lease that is [a] distinct from the space lease and [b] structured together with the space lease to support an accounting conclusion that [b][1] the space lease and improvements lease are to be considered together as a single lease and [b][2] classified as an operating lease, and [c] at least some portion of the improvements lease being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer.

180. (currently amended) A method, comprising the steps of:

leasing a space from a landlord to a tenant under a space lease, the verb "leasing" meaning "granting or maintaining a grant to another, or receiving a grant of from another, or taking hold of or holding by a lease from another, the possession and use of real or personal property, in return for present payment of or an obligation to pay rent or other consideration";

leasing improvements to the space to the tenant under an improvements lease that is distinct from the space lease;

the improvements lease and the space lease being consolidated together as a single operating lease for financial accounting purposes;

at least some portion of soliciting, originating, managing, or analyzing the improvements lease being or having been performed by processing data in a tangible memory ~~with assistance~~ of a computer.

181. (currently amended) A computer system, comprising:

hardware and [[/or]] software designed to assist a tenant in entering an improvements lease, the improvements lease to grant the tenant possession and use of improvements to a space leased to the tenant under a space lease that is distinct from the improvements lease;

a tangible memory storing data ~~stored in a tangible memory of the computer system~~ providing that the space lease and improvements lease are to be consolidated together as a single lease for financial accounting; and

a tangible memory storing data ~~stored in a tangible memory of the computer system~~ providing that, for financial accounting, the consolidated lease is to be treated as an operating lease.

Evidence Appendix to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

Exhibit 1 to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

Affidavit of Douglas Lowenstein

Originally filed February 26, 2007

Exhibit B to

Supplementary Amendment

Affidavit of Douglas G. Lowenstein

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Serial No.: 09/611,548 Confirmation No.: 6763
Applicant: Douglas G. Lowenstein, et al.
Title: FINANCING OF TENANT IMPROVEMENTS
Filed: July 7, 2000
Art Unit: 3692
Examiner: S. Chencinski

Atty. Docket: 114595-02
Customer No. 38492

AFFIDAVIT OF DOUGLAS G. LOWENSTEIN

Mail Stop Amendment
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

I, Douglas G. Lowenstein, declare as follows.

1. I have been involved in the commercial real estate industry since 1987. I have held the following positions:

(a) Polestar Capital, LLC, 2004-present – Chairman & CEO. Marketing the structure described in this patent application.

(b) Trammell Crow Co., 2002-2003. Trammell Crow Company, founded in 1948, is one of the nation's leading developers and investors in real estate. As of September 30, 2006, Trammell Crow Company had over $5 billion of development and new investments in process and nearly $3 billion of additional projects in the pipeline. I was responsible for arranging structured lease financing transactions involving Trammell Crow, Polestar Capital and Trammell Crow's largest clients.

(c) Polestar Capital Group, 1996-2001, Founder and Managing Director, former Chairman and & CEO. I worked with the legal community, major accounting firms, rating agencies, and institutional investors to establish the technical viability of the structure described in this patent application.

(d) Julien J. Studley, 1994-96, Managing Director. Studley is one of the largest brokers of commercial real estate in the U.S. At Studley, I worked on negotiating commercial real estate leases and closing lease transactions.

(e) Peter R. Friedman, Ltd., 1988-94, Sales person - brokerage. Peter Friedman, Ltd. is a large commercial real estate broker, who assists in arranging commercial real estate leases. I was a salesperson responsible for finding tenants for several large Manhattan office buildings and spaces.

(f) P.R. Weiss & Co., 1987-88, commercial leasing agent. I represented tenants, and did financial analysis of lease transactions for other brokers.

2. In opining on the definitions of real estate terms of art, I rely on my experience of the ordinary customary meaning that the term would have to person of ordinary skill in the art at the time of the invention. Mr. Boundy explained the concept of "broadest reasonable construction in light of the specification as it would be interpreted by one of ordinary skill in the art" as required by MPEP § 2111, and my opinions are stated in that light.

3. I understand that Examiner Poinvil expressed the view that the term "lease" as used in the claims of this application means "You can have a lease as just a piece of paper. And if you don't do anything with the lease, if you don't pay any exchange or money, to me nothing has been done in the real world." I understand that Examiner Poinvil expressed the view that the term "lease" means "just giving instructions."

4. All of these statements of Examiner Poinvil are either nonsense, irrelevant to any issue relating to the term "lease," or outright wrong. A mere piece of paper that is not yet a binding agreement is not a "lease." A document that "doesn't do anything" is not a "lease." A "lease" does not merely "give instructions."[1] Until legal obligations relating to possession of property and/or payment of consideration exist, there is no "lease." Examiner Poinvil's hypothetical about "if you don't pay any exchange or money" is gibberish: there may be arrangements that do not involve "exchange" of property or any "payment of money" but such arrangements are not "leases," and his hypothetical speculation is either irrelevant or wrong. A "lease" does not come into existence until a legal arrangement is in force that includes a transfer

[1] A document may "give instructions," but the instructions would at most be incidental to the contractual rights and obligations regarding property and consideration that define the document as a "lease." Any "instructions" would be essentially irrelevant to the definition of the term "lease."

of possessory rights in property and/or an obligation for payment of money or other consideration. Until there is some present transfer of, or obligation to, "exchange" property and/or "pay ... money," there is no "lease."

5. The definition of the verb "lease" given in Black's Law Dictionary (7th Ed. 1999) is basically correct:

> **lease**, *vb.* 1. To grant the possession and use of (land, buildings, rooms, movable property, etc.) to another in return for rent or other consideration... 2. To take a lease of; to hold by a lease...

A more correct definition would be as follows

> **lease**, *vb.* 1. To grant the possession and use of (land, buildings, rooms, movable property, etc.) to another in return for present payment of or an obligation to pay rent or other consideration... 2. To take a lease of; to hold by a lease...

The verb "leasing" applies to both the lessor's activities and the lessee's activities. The verb "leasing" applies both to the act of entering the lease, and the state of being a party to the grant of possessory rights in property and the obligation to transfer consideration during the term of the lease. The verb "leasing" does not refer to situations of "only giving instructions" or situations where no obligations exist. The verb "leasing" does not mean "just a piece of paper."

6. Leases have monetary value. The monetary values involved in leases are accepted and relied upon by regulatory authorities. For example, sale of a lease may be a taxable realization of income under the Tax Code, and the value of future lease payments due to the lessor may be included in financial reports required by financial regulators. The monetary value of a lease is often realized in subsequent transactions – for example, it is reasonably common to "sell" a lease to a subsequent lessor.

7. Computer processing relating to a lease involves transformation of data that represent discrete dollar amounts, by a machine through a series of mathematical calculations.

8. I understand the term "lease" and the dictionary language set forth above to cover cases and time periods where the lessee has an initial "rent-free" period. The legal obligations and monetary value of a lease come into existence when the lessee enters a pledge to pay rent or other consideration, and is not deferred until the date of the first actual payment of rent.

9. To my knowledge, there is no other term that has exactly the same range of meanings as the verb "lease."

10. I express no opinion on any issue not expressly set forth above.

11. I declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001 and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

Respectfully submitted,

Dated: 2/22/07

By:
Douglas G. Lowenstein

Exhibit 2 to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

Financial Accounting Standards Board, FASB-13, *Accounting for Leases*

Originally filed February 26, 2007

Exhibit D to

Supplementary Amendment

Financial Accounting Standards Board,
Accounting for Leases

Statement of Financial Accounting Standards No. 13

FAS13 Status Page
FAS13 Summary

Accounting for Leases

November 1976

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 MERRITT 7, P.O. BOX 5116, NORWALK, CONNECTICUT 06856-5116

operating lease.

a. Collectibility of the minimum lease payments is reasonably predictable. A lessor shall not be precluded from classifying a lease as a sales-type lease or as a direct financing lease simply because the receivable is subject to an estimate of uncollectibility based on experience with groups of similar receivables.
b. No important uncertainties surround the amount of unreimbursable costs yet to be incurred by the lessor under the lease. Important uncertainties might include commitments by the lessor to guarantee performance of the leased property in a manner more extensive than the typical product warranty or to effectively protect the lessee from obsolescence of the leased property. However, the necessity of estimating executory costs such as insurance, maintenance, and taxes to be paid by the lessor (see paragraphs 17(a) and 18(a)) shall not by itself constitute an important uncertainty as referred to herein.

9. If at any time the lessee and lessor agree to change the provisions of the lease, other than by renewing the lease or extending its term, in a manner that would have resulted in a different classification of the lease under the criteria in paragraphs 7 and 8 had the changed terms been in effect at the inception of the lease, the revised agreement shall be considered as a new agreement over its term, and the criteria in paragraphs 7 and 8 shall be applied for purposes of classifying the new lease. Likewise, except when a guarantee or penalty is rendered inoperative as described in paragraphs 12 and 17(e), any action that extends the lease beyond the expiration of the existing lease term (see paragraph 5(f)), such as the exercise of a lease renewal option other than those already included in the lease term, shall be considered as a new agreement, which shall be classified according to the provisions of paragraphs 6-8. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee), however, shall not give rise to a new classification of a lease for accounting purposes.

Accounting and Reporting by Lessees

Capital Leases

10. The lessee shall record a capital lease as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, together with any profit thereon. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the asset and obligation shall be the fair value. If the portion of the minimum lease payments representing executory costs, including profit thereon, is not determinable from the provisions of the lease, an estimate of the amount shall be made. The discount rate to be used in determining present value of the minimum lease payments shall be that prescribed for the lessee in paragraph 7(d). (See Appendix C for illustrations.)

11. Except as provided in paragraphs 25 and 26 with respect to leases involving land, the asset recorded under a capital lease shall be amortized as follows:

a. If the lease meets the criterion of either paragraph 7(a) or 7(b), the asset shall be amortized in a manner

and obligation under the lease shall be removed, gain or loss shall be recognized for the difference, and the new lease agreement shall thereafter be accounted for as any other operating lease.

b. Except when a guarantee or penalty is rendered inoperative as described in paragraph 12, a renewal or an extension [15] of an existing lease shall be accounted for as follows:
   i. If the renewal or extension is classified as a capital lease, it shall be accounted for as described in subparagraph (a) above.
   ii If the renewal or extension is classified as an operating lease, the existing lease shall continue to be accounted for as a capital lease to the end of its original term, and the renewal or extension shall be accounted for as any other operating lease.

c. A termination of a capital lease shall be accounted for by removing the asset and obligation, with gain or loss recognized for the difference.

Operating Leases

15. Normally, rental on an operating lease shall be charged to expense over the lease term as it becomes payable. If rental payments are not made on a straight-line basis, rental expense nevertheless shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used.

Disclosures

16. The following information with respect to leases shall be disclosed in the lessee's financial statements or the footnotes thereto (see Appendix D for illustrations).

a. For capital leases:
   i. The gross amount of assets recorded under capital leases as of the date of each balance sheet presented by major classes according to nature or function. This information may be combined with the comparable information for owned assets.
   ii. Future minimum lease payments as of the date of the latest balance sheet presented, in the aggregate and for each of the five succeeding fiscal years, with separate deductions from the total for the amount representing executory costs, including any profit thereon, included in the minimum lease payments and for the amount of the imputed interest necessary to reduce the net minimum lease payments to present value (see paragraph 10).
   iii. The total of minimum sublease rentals to be received in the future under noncancelable subleases as of the date of the latest balance sheet presented.
   iv. Total contingent rentals (rentals on which the amounts are dependent on some factor other than the passage of time) actually incurred for each period for which an income statement is presented.

b. For operating leases having initial or remaining noncancelable lease terms in excess of one year:
   i. Future minimum rental payments required as of the date of the latest balance sheet presented, in the aggregate and for each of the five succeeding fiscal years.
   ii. The total of minimum rentals to be received in the future under noncancelable subleases as of the date of the latest balance sheet presented.

c. For all operating leases, rental expense for each period for which an income statement is presented, with

Exhibit 3 to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

Executive Office of the President, "Final Bulletin for Agency Good Guidance Practices," OMB Memorandum M-07-07 (January 18, 2007)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

January 18, 2007

M-07-07

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Rob Portman Rob Portman

SUBJECT: Issuance of OMB's "Final Bulletin for Agency Good Guidance Practices"

The Office of Management and Budget (OMB) today issued a bulletin applicable to all departments and agencies entitled "Final Bulletin for Agency Good Guidance Practices." This Bulletin establishes policies and procedures for the development, issuance, and use of significant guidance documents by Executive Branch departments and agencies and is intended to increase the quality and transparency of agency guidance practices and the significant guidance documents produced through them.

This Bulletin is one aspect of a larger OMB effort to ensure and maximize the quality, utility, objectivity and integrity of information disseminated by Federal agencies, pursuant to the Information Quality Act.

This Bulletin has benefited from extensive public and agency comments received on a draft released by OMB on November 23, 2005.

If your staff has questions about this guidance, please contact Margaret Malanoski at (202) 395-3122 or Margaret_A._Malanoski@omb.eop.gov.

Attachment

Bulletin No. 07-02

OFFICE OF MANAGEMENT AND BUDGET

Final Bulletin for Agency Good Guidance Practices

AGENCY: Office of Management and Budget, Executive Office of the President.

ACTION: Final Bulletin.

SUMMARY: The Office of Management and Budget (OMB) is publishing a final Bulletin entitled, "Agency Good Guidance Practices," which establishes policies and procedures for the development, issuance, and use of significant guidance documents by Executive Branch departments and agencies. This Bulletin is intended to increase the quality and transparency of agency guidance practices and the significant guidance documents produced through them.

On November 23, 2005, OMB proposed a draft Bulletin for public comment. 70 Fed. Reg. 71,866 (November 30, 2005). Upon request, OMB extended the public comment period from December 23, 2005 to January 9, 2006. 70 Fed. Reg. 76,333 (December 23, 2005). OMB received 31 comments on the proposal from diverse public and private stakeholders (see http://www.whitehouse.gov/omb/inforeg/good_guid/c-index.html) and input from Federal agencies. The final Bulletin includes refinements developed through the public comment process and interagency deliberations.

DATE: The effective date of this Bulletin is 180 days after its publication in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT: Margaret Malanoski, Office of Information and Regulatory Affairs, Office of Management and Budget, 725 17th Street, N.W., New Executive Office Building, Room 10202, Washington, DC, 20503. Telephone (202) 395-3122.

SUPPLEMENTARY INFORMATION:

Introduction

As the scope and complexity of regulatory programs have grown, agencies increasingly have relied on guidance documents to inform the public and to provide direction to their staffs. As the impact of guidance documents on the public has grown, so too, has the need for good guidance practices -- clear and consistent agency practices for developing, issuing, and using guidance documents.

OMB is responsible both for promoting good management practices and for overseeing and coordinating the Administration's regulatory policy. Since early in the

Bush Administration, OMB has been concerned about the proper development and use of agency guidance documents. In its 2002 draft annual Report to Congress on the Costs and Benefits of Regulations, OMB discussed this issue and solicited public comments regarding problematic guidance practices and specific examples of guidance documents in need of reform.[1] OMB has been particularly concerned that agency guidance practices should be more transparent, consistent and accountable. Such concerns also have been raised by other authorities, including Congress and the courts.[2]

In its 2002 Report to Congress, OMB recognized the enormous value of agency guidance documents in general. Well-designed guidance documents serve many important or even critical functions in regulatory programs.[3] Agencies may provide helpful guidance to interpret existing law through an interpretive rule or to clarify how they tentatively will treat or enforce a governing legal norm through a policy statement. Guidance documents, used properly, can channel the discretion of agency employees, increase efficiency, and enhance fairness by providing the public clear notice of the line between permissible and impermissible conduct while ensuring equal treatment of similarly situated parties.

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[1] U.S. Office of Management and Budget, Draft Report to Congress on the Costs and Benefits of Federal Regulations, 67 FR 15,014, 15,034-35 (March 28, 2002).

[2] See, e.g., Food and Drug Administration Modernization Act of 1997, 21 U.S.C. § 371(h) (establishing FDA good guidance practices as law); "Food and Drug Administration Modernization and Accountability Act of 1997," S. Rep. 105-43, at 26 (1997) (raising concerns about public knowledge of, and access to, FDA guidance documents, lack of a systematic process for adoption of guidance documents and for allowing public input, and inconsistency in the use of guidance documents); House Committee on Government Reform, "Non-Binding Legal Effect of Agency Guidance Documents," H. Rep. 106-1009 (106th Cong., 2d Sess. 2000) (criticizing "back-door" regulation); the Congressional Accountability for Regulatory Information Act, H.R. 3521, 106th Cong., § 4 (2000) (proposing to require agencies to notify the public of the non-binding effect of guidance documents) ; Gen. Elec. Co. v. EPA, 290 F.3d 377 (D.C. Cir. 2002) (striking down PCB risk assessment guidance as legislative rule requiring notice and comment); Appalachian Power Co. v. EPA, 208 F.3d 1015 (D.C. Cir. 2000) (striking down emissions monitoring guidance as legislative rule requiring notice and comment); Chamber of Commerce v. Dep't of Labor, 174 F.3d 206 (D.C. Cir. 1999) (striking down OSHA Directive as legislative rule requiring notice and comment); Administrative Conference of the United States, Rec. 92-2, 1 C.F.R. 305.92-2 (1992) (agencies should afford the public a fair opportunity to challenge the legality or wisdom of policy statements and to suggest alternative choices); American Bar Association, Annual Report Including Proceedings of the Fifty-Eighth Annual Meeting, August 10-11, 1993, Vol. 118, No. 2, at 57 ("the American Bar Association recommends that: Before an agency adopts a nonlegislative rule that is likely to have a significant impact on the public, the agency provide an opportunity for members of the public to comment on the proposed rule and to recommend alternative policies or interpretations, provided that it is practical to do so; when nonlegislative rules are adopted without prior public participation, immediately following adoption, the agency afford the public an opportunity for post-adoption comment and give notice of this opportunity."); 3 American Bar Association, "Recommendation on Federal Agency Web Pages" (August 2001) (agencies should maximize the availability and searchability of existing law and policy on their websites and include their governing statutes, rules and regulations, and all important policies, interpretations, and other like matters on which members of the public are likely to request).

[3] See U.S. Office of Management and Budget, Stimulating Smarter Regulation: 2002 Report to Congress on the Costs and Benefits of Regulations and Unfunded Mandates on State, Local and Tribal Entities, 72-74 (2002) (hereinafter "2002 Report to Congress").

Experience has shown, however, that guidance documents also may be poorly designed or improperly implemented. At the same time, guidance documents may not receive the benefit of careful consideration accorded under the procedures for regulatory development and review.[4] These procedures include: (1) internal agency review by a senior agency official; (2) public participation, including notice and comment under the Administrative Procedure Act (APA); (3) justification for the rule, including a statement of basis and purpose under the APA and various analyses under Executive Order 12866 (as further amended), the Regulatory Flexibility Act, and the Unfunded Mandates Reform Act; (4) interagency review through OMB; (5) Congressional oversight; and (6) judicial review. Because it is procedurally easier to issue guidance documents, there also may be an incentive for regulators to issue guidance documents in lieu of regulations. As the D.C. Circuit observed in Appalachian Power:

> The phenomenon we see in this case is familiar. Congress passes a broadly worded statute. The agency follows with regulations containing broad language, open-ended phrases, ambiguous standards and the like. Then as years pass, the agency issues circulars or guidance or memoranda, explaining, interpreting, defining and often expanding the commands in regulations. One guidance document may yield another and then another and so on. Several words in a regulation may spawn hundreds of pages of text as the agency offers more and more detail regarding what its regulations demand of regulated entities. Law is made, without notice and comment, without public participation, and without publication in the Federal Register or the Code of Federal Regulations.[5]

Concern about whether agencies are properly observing the notice-and-comment requirements of the APA has received significant attention. The courts, Congress, and other authorities have emphasized that rules which do not merely interpret existing law or announce tentative policy positions but which establish new policy positions that the agency treats as binding must comply with the APA's notice-and-comment requirements, regardless of how they initially are labeled.[6] More general concerns also have been raised that agency guidance practices should be better informed and more transparent, fair and accountable.[7] Poorly designed or misused guidance documents can impose significant costs or limit the freedom of the public. OMB has received comments raising these concerns and providing specific examples in response to its proposed Bulletin,[8] its 2002

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[4] Id., at 72.

[5] Appalachian Power, 208 F.3d at 1019.

[6] See, e.g., Appalachian Power; Gen. Elec. Co.; Chamber of Commerce; House Committee on Government Reform, "Non-Binding Legal Effect of Agency Guidance Documents"; ACUS Rec. 92-2, supra note 2; Robert A. Anthony, "Interpretive Rules, Policy Statements, Guidances, Manuals and the Like – Should Federal Agencies Use Them to Bind the Public?" 41 Duke L.J. 1311 (1992).

[7] See, e.g., note 2, supra.

[8] U.S. Office of Management and Budget, "Proposed Bulletin for Good Guidance Practices," 70 FR 76,333

request for comments on problematic guidance[9] and its other requests for regulatory reform nominations in 2001[10] and 2004.[11] This Bulletin and recent amendments to Executive Order 12866 respond to these problems.[12]

This Bulletin on "Agency Good Guidance Practices" sets forth general policies and procedures for developing, issuing and using guidance documents. The purpose of Good Guidance Practices (GGP) is to ensure that guidance documents of Executive Branch departments and agencies are: developed with appropriate review and public participation, accessible and transparent to the public, of high quality, and not improperly treated as legally binding requirements. Moreover, GGP clarify what does and does not constitute a guidance document to provide greater clarity to the public. All offices in an agency should follow these policies and procedures.

There is a strong foundation for establishing standards for the initiation, development, and issuance of guidance documents to raise their quality and transparency. The former Administrative Conference of the United States (ACUS), for example, developed recommendations for the development and use of agency guidance documents.[13] In 1997, the Food and Drug Administration (FDA) created a guidance document distilling its good guidance practices (GGP).[14] Congress then established certain aspects of the 1997 GGP document as the law in the Food and Drug Administration Modernization Act of 1997 (FDAMA; Public Law No. 105-115).[15] The FDAMA also directed FDA to evaluate the effectiveness of the 1997 GGP document and then to develop and issue regulations specifying FDA's policies and procedures for the development, issuance, and use of guidance documents. FDA conducted an internal evaluation soliciting FDA employees' views on the effectiveness of GGP and asking whether FDA employees had received complaints regarding the agency's development,

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(Dec. 23, 2005).

[9] See note 1, supra.

[10] U.S. Office of Management and Budget, Draft Report to Congress on the Costs and Benefits of Federal Regulations, 66 FR 22,041 (May 2, 2001).

[11] U.S. Office of Management and Budget, Draft Report to Congress on the Costs and Benefits of Federal Regulations, 69 FR 7,987 (Feb. 20, 2004); see also U.S. Office of Management and Budget, Validating Regulatory Analysis: 2005 Report to Congress on the Costs and Benefits of Federal Regulations and Unfunded Mandates on State, Local and Tribal Entities 107-125 (2005).

[12] President Bush recently signed Executive Order 13422, "Further Amendment to Executive Order 12866 on Regulatory Planning and Review." Among other things, E.O. 13422 addresses the potential need for interagency review of certain significant guidance documents by clarifying OMB's authority to have advance notice of, and to review, agency guidance documents.

[13] See, e.g., note 2, supra.

[14] Notice, "The Food and Drug Administration's Development, Issuance, and Use of Guidance Documents," 62 FR 8961 (Feb. 27, 1997).

[15] 21 U.S.C. § 371(h).

issuance, and use of guidance documents since the development of GGP. FDA found that its GGP had been beneficial and effective in standardizing the agency's procedures for development, issuance, and use of guidance documents, and that FDA employees had generally been following GGP.[16] FDA then made some changes to its existing procedures to clarify its GGP.[17] The provisions of the FDAMA and FDA's implementing regulations, as well as the ACUS recommendations, informed the development of this government-wide Bulletin.

Legal Authority for this Bulletin

This Bulletin is issued under statutory authority, Executive Order, and OMB's general authorities to oversee and coordinate the rulemaking process. In what is commonly known as the Information Quality Act, Congress directed OMB to issue guidelines to "provide policy and procedural guidance to Federal agencies for ensuring and maximizing the quality, utility, objectivity and integrity of information disseminated by Federal agencies.[18] Moreover, Executive Order 13422, "Further Amendment to Executive Order 12866 on Regulatory Planning and Review," recently clarified OMB's authority to oversee agency guidance documents. As further amended, Executive Order 12866 affirms that "[c]oordinated review of agency rulemaking is necessary to ensure that regulations and guidance documents are consistent with applicable law, the President's priorities, and the principles set forth in this Executive order," and the Order assigns that responsibility to OMB.[19] E.O. 12866 also establishes OMB's Office of Information and Regulatory Affairs as "the repository of expertise concerning regulatory issues, including methodologies and procedures that affect more than one agency."[20] Finally, OMB has additional authorities to oversee the agencies in the administration of their programs.

The Requirements of the Final Bulletin and Response to Public Comments

A. Overview

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[16] See FDA, "Administrative Practices and Procedures; Good Guidance Practices," 65 FR 7321, 7322-23 (proposed Feb. 14, 2000).

[17] 21 C.F.R. § 10.115; 65 FR 56,468 (Sept. 19, 2000).

[18] Pub. L. No. 106-554, § 515(a) (2000). The Information Quality Act was developed as a supplement to the Paperwork Reduction Act, 44 U.S.C. § 3501 et seq., which requires OMB, among other things, to "develop and oversee implementation of policies, principles, standards, and guidelines to -- (1) apply to Federal agency dissemination of public information, regardless of the form or format in which such information is disseminated; and (2) promote public access to public information and fulfill the purposes of this subchapter, including through the effective use of information technology." 44 U.S.C. § 3504(d).

[19] Executive Order 12866, as further amended, § 2(b).

[20] Id.

This Bulletin establishes: a definition of a significant guidance document; standard elements for significant guidance documents; practices for developing and using significant guidance documents; requirements for agencies to enable the public to comment on significant guidance documents or request that they be created, reconsidered, modified or rescinded; and ways for making guidance documents available to the public. These requirements should be interpreted and implemented in a manner that, consistent with the goals of improving the quality, accountability and transparency of agency guidance documents, provides sufficient flexibility for agencies to take those actions necessary to accomplish their essential missions.

B. Definitions

Section I provides definitions for the purposes of this Bulletin. Several terms are identical to or based on those in FDA's GGP regulations, 21 C.F.R. § 10.115; the Paperwork Reduction Act, 44 U.S.C. § 3501 et seq.; Executive Order 12866, as further amended; and OMB's Government-wide Information Quality Guidelines, 67 FR 8452 (Feb. 22, 2002).

Section I(1) provides that the term "Administrator" means the Administrator of the Office of Information and Regulatory Affairs (OIRA) in the Office of Management and Budget.

Section I(2) provides that the term "agency" has the same meaning as it has under the Paperwork Reduction Act, 44 U.S.C. § 3502(1), other than those entities considered to be independent agencies, as defined in 44 U.S.C. § 3502(5).

Section I(3) defines the term "guidance document" as an agency statement of general applicability and future effect, other than a regulatory action (as defined in Executive Order 12866, as further amended), that sets forth a policy on a statutory, regulatory, or technical issue or an interpretation of a statutory or regulatory issue. This definition is used to comport with definitions used in Executive Order 12866, as further amended. Nothing in this Bulletin is intended to indicate that a guidance document can impose a legally binding requirement.

Guidance documents often come in a variety of formats and names, including interpretive memoranda, policy statements, guidances, manuals, circulars, memoranda, bulletins, advisories, and the like. Guidance documents include, but are not limited to, agency interpretations or policies that relate to: the design, production, manufacturing, control, remediation, testing, analysis or assessment of products and substances, and the processing, content, and evaluation/approval of submissions or applications, as well as compliance guides. Guidance documents do not include solely scientific research. Although a document that simply summarizes the protocol and conclusions of a specific research project (such as a clinical trial funded by the National Institutes of Health) would not qualify as a guidance document, such research may be the basis of a guidance

document (such as the HHS/USDA "Dietary Guidelines for Americans," which provides guidance to Americans on what constitutes a healthy diet).

Some commenters raised the concern that the term "guidance document" reflected too narrow a focus on written materials alone. While the final Bulletin adopts the commonly used term "guidance document," the definition is not limited only to written guidance materials and should not be so construed. OMB recognizes that agencies are experimenting with offering guidance in new and innovative formats, such as video or audio tapes, or interactive web-based software. The definition of "guidance document" encompasses all guidance materials, regardless of format. It is not the intent of this Bulletin to discourage the development of promising alternative means to offer guidance to the public and regulated entities.

A number of commenters raised concerns that the definition of "significant guidance document" in the proposed Bulletin was too broad in some respects. In particular, the proposed definition included guidance that set forth initial interpretations of statutory and regulatory requirements and changes in interpretation or policy. The definition in the proposed Bulletin was adapted from the definition of "Level 1 guidance documents" in FDA's GGP regulations.

Upon consideration of the comments, the need for clarity, and the broad application of this Bulletin to diverse agencies, the definition of "significant guidance document" has been changed. Section I(4) defines the term "significant guidance document" as a guidance document disseminated to regulated entities or the general public that may reasonably be anticipated to: (i) Lead to an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities; or (ii) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; or (iii) Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (iv) Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in Executive Order 12866, as further amended. Under the Bulletin, significant guidance documents include interpretive rules of general applicability and statements of general policy that have the effects described in Section I(4)(i) – (iv).

The general definition of "significant guidance document" in the final Bulletin adopts the definition in Executive Order 13422, which recently amended Executive Order 12866 to clarify OMB's role in overseeing and coordinating significant guidance documents. This definition, in turn, closely tracks the general definition of "significant regulatory action" in E.O. 12866, as further amended. One advantage of this definition is that agencies have years of experience in the regulatory context applying the parallel definition of "significant regulatory action" under E.O. 12866, as further amended. However, a few important changes were made to the definition used in E.O. 12866, as further amended, to make it better suited for guidance. For example, in recognition of the non-binding nature of guidance the words "may reasonably be anticipated to" preface all

four prongs of the "significant guidance document" definition. This prefatory language makes clear that the impacts of guidance often will be more indirect and attenuated than binding legislative rules.

Section I(4) also clarifies what is not a "significant guidance document" under this Bulletin. For purposes of this Bulletin, documents that would not be considered significant guidance documents include: legal advisory opinions for internal Executive Branch use and not for release (such as Department of Justice Office of Legal Counsel opinions); briefs and other positions taken by agencies in investigations, pre-litigation, litigation, or other enforcement proceedings; speeches; editorials; media interviews; press materials; Congressional correspondence; guidances that pertain to a military or foreign affairs function of the United States (other than guidance on procurement or the import or export of non-defense articles and services); grant solicitations; warning letters; case or investigatory letters responding to complaints involving fact-specific determinations; purely internal agency policies; guidances that pertain to the use, operation or control of a government facility; and internal operational guidances directed solely to other federal agencies (including Office of Personnel Management personnel issuances, General Services Administration Federal Travel Regulation bulletins, and most of the National Archives and Records Administration's records management bulletins). The Bulletin also exempts speeches of agency officials.

Information collections, discretionary grant application packages, and compliance monitoring reports also are not significant guidance documents. Though the Bulletin does not cover guidance documents that pertain to the use, operation, or control of a Federal facility, it does cover generally applicable instructions to contractors. Section I(4) also provides that an agency head, in consultation and concurrence with the OIRA Administrator, may exempt one or more categories of significant guidance documents from the requirements of the Bulletin.

The definition of guidance document covers agency statements of "general applicability" and "future effect," and accordingly, the Bulletin does not cover documents that result from an adjudicative decision. We construe "future effects" as intended (and likely beneficial) impacts due to voluntary compliance with a guidance document. Moreover, since a significant guidance document is an agency statement of "general applicability," correspondence such as opinion letters or letters of interpretation prepared for or in response to an inquiry from an individual person or entity would not be considered a significant guidance document, unless the correspondence is reasonably anticipated to have precedential effect and a substantial impact on regulated entities or the public. Thus, this Bulletin should not inhibit the beneficial practice of agencies providing informal guidance to help specific parties. If the agency compiles and publishes informal determinations to provide guidance to, and with a substantial impact on, regulated industries, then this Bulletin would apply. Guidance documents are considered "significant" when they have a broad and substantial impact on regulated entities, the public or other Federal agencies. For example, a guidance document that had a substantial impact on another Federal agency, by interfering with its ability to carry out

its mission or imposing substantial burdens, would be significant under Section I(4)(ii) and perhaps could trigger Section I(5) as well.

In general, guidance documents that concern routine matters would not be "significant." Among an agency's internal guidance documents, there are many categories that would not constitute significant guidance documents. There is a broad category of documents that may describe the agency's day-to-day business. Though such documents might be of interest to the public, they do not fall within the definition of significant guidance documents for the purposes of this Bulletin. More generally, there are internal guidance documents that bind agency employees with respect to matters that do not directly or substantially impact regulated entities. For example, an agency may issue guidance to field offices directing them to maintain electronic data files of complaints regarding regulated entities.

Section I(5) states that the term "economically significant guidance document" means a significant guidance document that "may reasonably be anticipated to lead to" an annual effect on the economy of $100 million or more or adversely affect in a material way the economy or a sector of the economy. The relevant economic impacts include those that may be imposed by Federal agencies, state, or local governments, or foreign governments that affect the U.S. economy, as well as impacts that could arise from private sector conduct. The definition of economically significant guidance document tracks only the part of the definition of significant guidance document in Section I(4)(i) related to substantial economic impacts. This clarifies that the definition of "economically significant guidance document" includes only a relatively narrow category of significant guidance documents. This definition enables agencies to determine which interpretive rules of general applicability or statements of general policy might be so consequential as to merit advance notice-and-comment and a response-to-comments document – and which do not. Accordingly, the definition of economically significant guidance document includes economic impacts that rise to $100 million in any one year or adversely affect the economy or a sector of the economy.

The definition of economically significant guidance document also departs in other ways from the language describing an economically significant regulatory action in Section 3(f)(1) of E.O. 12866, as further amended. A number of commenters on the proposed Bulletin raised questions about how a guidance document – which is not legally binding -- could have an annual effect on the economy of $100 million or more or adversely affect in a material way the economy or a sector of the economy. As other commenters recognized, although guidance may not be legally binding, there are situations in which it may reasonably be anticipated that a guidance document could lead parties to alter their conduct in a manner that would have such an economically significant impact.

Guidance can have coercive effects or lead parties to alter their conduct. For example, under a statute or regulation that would allow a range of actions to be eligible

for a permit or other desired agency action, a guidance document might specify fast track treatment for a particular narrow form of behavior but subject other behavior to a burdensome application process with an uncertain likelihood of success. Even if not legally binding, such guidance could affect behavior in a way that might lead to an economically significant impact. Similarly, an agency might make a pronouncement about the conditions under which it believes a particular substance or product is unsafe. While not legally binding, such a statement could reasonably be anticipated to lead to changes in behavior by the private sector or governmental authorities such that it would lead to a significant economic effect. Unless the guidance document is exempted due to an emergency or other appropriate consideration, the agency should observe the notice-and-comment procedures of § IV.

In recognition of the non-binding nature of guidance documents, the Bulletin's definition of economically significant guidance document differs in key respects from the definition of an economically significant regulatory action in § 3(f)(1) of E.O. 12866, as further amended. First, as described above, the words "may reasonably be anticipated to" are included in the definition. Second, the definition of economically significant guidance document contemplates that the guidance document could "lead to" (as opposed to "have") an economically significant effect. This language makes clear that the impacts of guidance documents often will be more indirect and dependent on third-party decisions and conduct than is the case with binding legislative rules. This language also reflects a recognition that, as various commenters noted, guidance documents often will not be amenable to formal economic analysis of the kind that is prepared for an economically significant regulatory action. Accordingly, this Bulletin does not require agencies to conduct a formal regulatory impact analysis to guide their judgments about whether a guidance document is economically significant.

The definition of "economically significant guidance document" excludes guidance documents on Federal expenditures and receipts. Therefore, guidance documents on Federal budget expenditures (e.g., entitlement programs) and taxes (the administration or collection of taxes, tax credits, or duties) are not subject to the requirements for notice and comment and a response to comments document in § IV. However, if such guidance documents are "significant," then they are subject to the other requirements of this Bulletin, including the transparency and approval provisions.

Section I(6) states that the term "disseminated" means prepared by the agency and distributed to the public or regulated entities. Dissemination does not include distribution limited to government employees; intra- or interagency use or sharing of government information; and responses to requests for agency records under the Freedom of Information Act, the Privacy Act, the Federal Advisory Committee Act or other similar law.[21]

[21] See U.S. Office of Management and Budget's Government-wide Information Quality Guidelines, 67 FR 8452, 8454, 8460 (Feb. 22, 2002).

Consistent with Executive Order 12866, as further amended, Section I(7) defines the term "regulatory action" as any substantive action by an agency (normally published in the Federal Register) that promulgates or is expected to lead to the promulgation of a final regulation, including notices of inquiry, advance notices of inquiry and notices of proposed rulemaking.

Section I(8) defines the term "regulation," consistent with Executive Order 12866, as further amended, as an agency statement of general applicability and future effect, which the agency intends to have the force and effect of law, that is designed to implement, interpret, or prescribe law or policy or to describe the procedure or practice requirements of an agency.

C. Basic Agency Standards

Section II describes basic agency standards for significant guidance documents.

1. Agency Approval Procedures

Section II(1)(a) directs each agency to develop or have written procedures for the internal clearance of significant guidance documents no later than the effective date of this Bulletin. Those procedures should ensure that issuance of significant guidance documents is approved by appropriate agency officials. Currently at FDA the Director in a Center or an Office of Regulatory Affairs equivalent or higher approves a significant guidance document before it is distributed to the public in draft or final form. Depending on the nature of specific agency guidance documents, these procedures may require approval or concurrence by other components within an agency. For example, if guidance is provided on compliance with an agency regulation, we would anticipate that the agency's approval procedures would ensure appropriate coordination with other agency components that have a stake in the regulation's implementation, such as the General Counsel's office and the component responsible for development and issuance of the regulation.

Section II(1)(b) states that agency employees should not depart from significant agency guidance documents without appropriate justification and supervisory concurrence. It is not the intent of this Bulletin to inhibit the flexibility needed by agency officials to depart appropriately from significant guidance documents by rigidly requiring concurrence only by very high-level officials. Section II(1)(a) also is not intended to bind an agency to exercise its discretion only in accordance with a general policy where the agency is within the range of discretion contemplated by the significant guidance document.

Agencies are to follow GGP when providing important policy direction on a broad scale. This includes when an agency communicates, informally or indirectly, new or different regulatory expectations to a broad public audience for the first time, including

regulatory expectations different from guidance issued prior to this Bulletin.[22] This does not limit the agency's ability to respond to questions as to how an established policy applies to a specific situation or to answer questions about areas that may lack established policy (although such questions may signal the need to develop guidance in that area). This requirement also does not apply to positions taken by agencies in litigation, pre-litigation, or investigations, or in any way affect their authority to communicate their views in court or other enforcement proceedings. This requirement also is not intended to restrict the authority of agency General Counsels or the Department of Justice Office of Legal Counsel to provide legal interpretations of statutory and regulatory requirements.

Agencies also should ensure consistent application of GGP. Employees involved in the development, issuance, or application of significant guidance documents should be trained regarding the agency's GGP, particularly the principles of Section II(2). In addition, agency offices should monitor the development, issuance and use of significant guidance documents to ensure that employees are following GGP.

2. Standard Elements

Section II(2) establishes basic requirements for significant guidance documents. They must: (i) Include the term "guidance" or its functional equivalent; (ii) Identify the agenc(ies) or office(s) issuing the document; (iii) Identify the activity to which and the persons to whom the document applies; (iv) Include the date of issuance; (v) Note if it is a revision to a previously issued guidance document and, if so, identify the guidance that it replaces; (vi) Provide the title of the guidance and any document identification number, if one exists; and (vii) include the citation to the statutory provision or regulation (in Code of Federal Regulations format) which it applies to or interprets.

In implementing this Bulletin, particularly Section II(2)(e), agencies should be diligent to identify for the public whether there is previous guidance on an issue, and, if so, to clarify whether that guidance document is repealed by the new significant guidance document completely, and if not, to specify what provisions in the previous guidance document remain in effect. Superseded guidance documents that remain available for historical purposes should be stamped or otherwise prominently identified as superseded. Draft significant guidance documents that are being made available for pre-adoption notice and comment should include a prominent "draft" notation. As existing significant guidance documents are revised, they should be updated to comply with this Bulletin.

Finally, § II(2)(h) clarifies that, given their legally nonbinding nature, significant guidance documents should not include mandatory language such as "shall," "must,"

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[22] See FDA's Good Guidance Practices, 21 C.F.R. § 10.115(e): "*Can FDA use means other than a guidance document to communicate new agency policy or a new regulatory approach to a broad public audience?* The agency must not use documents or other means of communication that are excluded from the definition of guidance document to informally communicate new or different regulatory expectations to a broad public audience for the first time. These GGPs must be followed whenever regulatory expectations that are not readily apparent from the statute or regulations are first communicated to a broad public audience."

"required" or "requirement," unless the agency is using these words to describe a statutory or regulatory requirement, or the language is addressed to agency staff and will not foreclose consideration by the agency of positions advanced by affected private parties.[23] For example, a guidance document may explain how the agency believes a statute or regulation applies to certain regulated activities. Before a significant guidance document is issued or revised, it should be reviewed to ensure that improper mandatory language has not been used. As some commenters noted, while a guidance document cannot legally bind, agencies can appropriately bind their employees to abide by agency policy as a matter of their supervisory powers over such employees without undertaking pre-adoption notice and comment rulemaking. As a practical matter, agencies also may describe laws of nature, scientific principles, and technical requirements in mandatory terms so long as it is clear that the guidance document itself does not impose legally enforceable rights or obligations.

A significant guidance document should aim to communicate effectively to the public about the legal effect of the guidance and the consequences for the public of adopting an alternative approach. For example, a significant guidance document could be captioned with the following disclaimer under appropriate circumstances:

> "This [draft] guidance, [when finalized, will] represent[s] the [Agency's] current thinking on this topic. It does not create or confer any rights for or on any person or operate to bind the public. You can use an alternative approach if the approach satisfies the requirements of the applicable statutes and regulations. If you want to discuss an alternative approach (you are not required to do so), you may contact the [Agency] staff responsible for implementing this guidance. If you cannot identify the appropriate [Agency] staff, call the appropriate number listed on the title page of this guidance."

When an agency determines it would be appropriate, the agency should use this or a similar disclaimer. Agency staff should similarly describe the legal effect of significant guidance documents when speaking to the public about them.

D. Public Access and Feedback

Section III describes public access procedures related to the development and issuance of significant guidance documents.

1. Internet Access

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[23] As the courts have held, see supra note 2, agencies need to follow statutory rulemaking requirements, such as those of the APA, to issue documents with legally binding effect, i.e., legislative rules. One benefit of GGP for an agency is that the agency's review process will help to identify any draft guidance documents that instead should be promulgated through the rulemaking process.

Section III directs agencies to ensure that information about the existence of significant guidance documents and the significant guidance documents themselves are made available to the public in electronic form. Section III(1) enables the public to obtain from an agency's website a list of all of an agency's significant guidance documents. Under § III(1)(a), agencies will maintain a current electronic list of all significant guidance documents on their websites in a manner consistent with OMB policies for agency public websites and information dissemination.[24] To assist the public in locating such electronic lists, they should be maintained on an agency's website – or as a link on an agency's website to the electronic list posted on a component or subagency's website -- in a quickly and easily identifiable manner (e.g., as part of or in close visual proximity to the agency's list of regulations and proposed regulations). New documents will be added to this list within 30 days from the date of issuance. The agency list of significant guidance documents will include: the name of the significant guidance document, any docket number, and issuance and revision dates. As agencies develop or revise significant guidance documents, they should organize and catalogue their significant guidance documents to ensure users can easily browse, search for, and retrieve significant guidance documents on their websites.

The agency shall provide a link from the list to each significant guidance document (including any appendices or attachments) that currently is in effect. Many recently issued guidance documents have been made available on the Internet, but there are some documents that are not now available in this way. Agencies should begin posting those significant guidance documents on their websites with the goal of making all of their significant guidance documents currently in effect publicly available on their websites by the effective date of this Bulletin.[25] Other requirements of this Bulletin, such as § II(2) (Standard Elements), apply only to significant guidance documents issued or amended after the effective date of the Bulletin. For such significant guidance documents (including economically significant guidance documents), agencies should provide, to the extent appropriate and feasible, a website link from the significant guidance document to the public comments filed on it. This would enable interested stakeholders and the general public to understand the various viewpoints on the significant guidance documents.

Under § III(1)(b), the significant guidance list will identify those significant guidance documents that were issued, revised or withdrawn within the past year. Agencies are encouraged, to the extent appropriate and feasible, to offer a listserve or

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[24] U.S. Office of Management and Budget, Memorandum M-05-04, "Policies for Federal Agency Public Websites" (Dec. 17, 2004), available at: http://www.whitehouse.gov/omb/memoranda/fy2005/m05-04.pdf; U.S. Office of Management and Budget, Memorandum M-06-02, "Improving Public Access to and Dissemination of Government Information and Using the Federal Enterprise Architecture Data Reference Model" (Dec. 16, 2005), available at: http://www.whitehouse.gov/omb/memoranda/fy2006/m06-02.pdf

[25] In this regard, we note that under the Electronic Freedom of Information Act Amendments of 1996, agencies have been posting on their websites statements of general policy and interpretations of general applicability. See 5 U.S.C. § 552(a)(2).

similar mechanism for members of the public who would like to be notified by email each time an agency issues its annual update of significant guidance documents. To further assist users in better understanding agency guidance and its relationship to current or proposed Federal regulations, agencies also should link their significant guidance document lists to Regulations.gov.[26]

2. Public Feedback

Section III(2) requires each agency to have adequate procedures for public comments on significant guidance documents and to address complaints regarding the development and use of significant guidance documents. Not later than 180 days from the publication of this Bulletin, each agency shall establish and clearly advertise on its website a means for the public to submit electronically comments on significant guidance documents, and to request electronically that significant guidance documents be issued, reconsidered, modified or rescinded. The public may state their view that specific guidance documents are "significant" or "economically significant" and therefore are subject to the applicable requirements of this Bulletin. At any time, the public also may request that an agency modify or rescind an existing significant guidance document. Such requests should specify why and how the significant guidance document should be rescinded or revised.

Public comments submitted under these procedures on significant guidance documents are for the benefit of the agency, and this Bulletin does not require a formal response to comments (of course, agencies must comply with any applicable statutory requirements to respond, and this Bulletin does not alter those requirements). In some cases, the agency, in consultation with the Administrator of OMB's Office of Information and Regulatory Affairs, may in its discretion decide to address public comments by updating or altering the significant guidance document.

Although this Bulletin does not require agencies to provide notice and an opportunity for public comment on all significant guidance documents before they are adopted, it is often beneficial for an agency to do so when they determine that it is practical. Pre-adoption notice-and-comment can be most helpful for significant guidance documents that are particularly complex, novel, consequential, or controversial. Agencies also are encouraged to consider observing notice-and-comment procedures for interpretive significant guidance documents that effectively would extend the scope of the jurisdiction the agency will exercise, alter the obligations or liabilities of private parties, or modify the terms under which the agency will grant entitlements. As it does for legislative rules, providing pre-adoption opportunity for comment on significant guidance documents can increase the quality of the guidance and provide for greater public confidence in and acceptance of the ultimate agency judgments. For these reasons, agencies sometimes follow the notice-and-comment procedures of the APA even when doing so is not legally required.[27] Of course, where an agency provides for notice and

[26] Regulations.gov is available at *http://www.Regulations.gov/fdmspublic/component/main*.
[27] For example, in developing its guidelines for self-evaluation of compensation practices regarding systemic compensation discrimination, the Department of Labor provided for pre-adoption notice and

comment before adoption, it need not do so again upon issuance of the significant guidance document.[28]

Many commenters expressed the desire for a better way to resolve concerns about agency guidance documents and adherence to good guidance practices. To help resolve public concerns over problematic guidance documents, § III(2)(b) requires each agency to designate an office (or offices) to receive and address complaints by the public that the agency is not following the procedures in this Bulletin or is improperly treating a guidance document as a binding requirement. The public also could turn to this office to request that the agency classify a guidance as "significant" or "economically significant" for purposes of this Bulletin. The agency shall provide the name and contact information for the office(s) on its website.

E. Notice and Comment on Economically Significant Guidance Documents

Under § IV, after the agency prepares a draft of an economically significant guidance document, the agency must publish a notice in the **Federal Register** announcing that the draft guidance document is available for comment. In a manner consistent with OMB policies for agency public websites and information dissemination, the agency must post the draft on its website, make it publicly available in hard copy, and ensure that persons with disabilities can reasonably access and comment on the guidance development process.[29] If the guidance document is not in a format that permits such electronic posting with reasonable efforts, the agency should notify the public how they can review the guidance document. When inviting public comments on the draft guidance document, the agency will propose a period of time for the receipt of comments and make the comments available to the public for review. The agency also may hold public meetings or workshops on a draft guidance document, or present it for review to an advisory committee or, as required or appropriate, to a peer review committee.[30] In some cases, the agency may, in its discretion, seek early public input even before it prepares the draft of an economically significant guidance document. For example, the agency could convene or participate in meetings or workshops.

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opportunity for comment. See Office of Federal Contract Compliance Programs, "Guidelines for Self-Evaluation of Compensation Practices for Compliance with Nondiscrimination Requirements of Executive Order 11246 with Respect to Systemic Compensation Discrimination," 69 FR 67,252 (Nov. 16, 2004).

[28] See, e.g., Office of Federal Procurement Policy Act, 41 U.S.C. § 418(b) (providing for pre-adoption notice and comment for procurement policies with a significant effect or cost).

[29] Federal agency public websites must be designed to make information and services fully available to individuals with disabilities. For additional information, see: http://www.access-board.gov/index.htm; see also Rehabilitation Act, 29 U.S.C. § 701, 794, 794d.

[30] See U.S. Office of Management and Budget, "Final Information Quality Bulletin for Peer Review," 70 FR 2664 (Jan. 14, 2005).

After reviewing comments on a draft, the agency should incorporate suggested changes, when appropriate, into the final version of the economically significant guidance document. The agency then should publish a notice in the **Federal Register** announcing that the significant guidance document is available. The agency must post the significant guidance document on the Internet and make it available in hard copy. The agency also must prepare a robust response-to-comments document and make it publicly available. Though these procedures are similar to APA notice-and-comment requirements, this Bulletin in no way alters (nor is it intended to interpret) the APA requirements for legislative rules under 5 U.S.C. § 553.

Prior to or upon announcing the availability of the draft guidance document, the agency should establish a public docket. Public comments submitted on an economically significant guidance document should be sent to the agency's docket. The comments submitted should identify the docket number on the guidance document (if such a docket number exists), as well as the title of the document. Comments should be available to the public at the docket and, when feasible, on the Internet. Agencies should provide a link on their website from the guidance document to the public comments as well as the response to comments document.

After providing an opportunity for comment, an agency may decide, in its discretion, that it is appropriate to issue another draft of the significant guidance document. The agency may again solicit comment by publishing a notice in the **Federal Register**, posting a draft on the Internet and making the draft available in hard copy. The agency then would proceed to issue a final version of the guidance document in the manner described above. Copies of the **Federal Register** notices of availability should be available on the agency's website. In addition, the response-to-comments document should address the additional comments received on the revised draft.

An agency head, in consultation and concurrence with the OIRA Administrator, may identify a particular significant guidance document or class of guidance documents for which the procedures of this Section are not feasible and appropriate. Under § IV, the agency is not required to seek public comment before it implements an economically significant guidance document if prior public participation is not feasible or appropriate. It may not be feasible or appropriate for an agency to seek public comment before issuing an economically significant guidance document if there is a public health, safety, environmental or other emergency requiring immediate issuance of the guidance document, or there is a statutory requirement or court order that requires immediate issuance. Another type of situation is presented by guidance documents that, while important, are issued in a routine and frequent manner. For example, one commenter raised concerns that the National Weather Service not only frequently reports on weather and air conditions but also gives consumers guidance, such as heat advisories, on the best course of action to take in severe weather conditions. Even if such notices or advisories had an economically significant impact, subjecting them to the notice-and-comment

procedures of Section IV would not be feasible or appropriate. An agency may discuss with OMB other exceptions that are consistent with § IV(2).

Though economically significant guidance documents that fall under the exemption in § IV(2) are not required to undergo the full notice-and-comment procedures, the agency should: (a) publish a notice in the **Federal Register** announcing that the guidance document is available; (b) post the guidance document on the Internet and make it available in hard copy (or notify the public how they can review the guidance document if it is not in a format that permits such electronic posting with reasonable efforts); and (c) seek public comment when it issues or publishes the guidance document. If the agency receives comments on an excepted guidance document, the agency should review those comments and revise the guidance document when appropriate. However, the agency is not required to provide post-promulgation notice-and-comment if such procedures are not feasible or appropriate.

F. Emergencies

In emergency situations or when an agency is obligated by law to act more quickly than normal review procedures allow, the agency shall notify OIRA as soon as possible and, to the extent practicable, comply with this Bulletin. For those significant guidance documents that are governed by a statutory or court-imposed deadlines, the agency shall, to the extent practicable, schedule its proceedings so as to permit sufficient time to comply with this Bulletin.

G. Judicial Review

This Bulletin is intended to improve the internal management of the Executive Branch and is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, against the United States, its agencies or other entities, its officers or employees, or any other person.[31]

H. Effective Date

The requirements of this Bulletin shall take effect 180 days after publication in the **Federal Register** except that agencies will have 210 days to comply with requirements for significant guidance documents promulgated on or before the date of publication of this Bulletin.

[31] The provisions of this Bulletin, and an agency's compliance or noncompliance with the Bulletin's requirements, are not intended to, and should not, alter the deference that agency interpretations of laws and regulations should appropriately be given.

Bulletin for Agency Good Guidance Practices

I. Definitions.

For purposes of this Bulletin—

1. The term "Administrator" means the Administrator of the Office of Information and Regulatory Affairs in the Office of Management and Budget (OIRA).

2. The term "agency" has the same meaning it has under the Paperwork Reduction Act, 44 U.S.C. § 3502(1), other than those considered to be independent regulatory agencies, as defined in 44 U.S.C. § 3502(5).

3. The term "guidance document" means an agency statement of general applicability and future effect, other than a regulatory action (as defined in Executive Order 12866, as further amended, § 3(g)), that sets forth a policy on a statutory, regulatory or technical issue or an interpretation of a statutory or regulatory issue.

4. The term "significant guidance document" --

a. means (as defined in Executive Order 12866, as further amended, § 3(h)) a guidance document disseminated to regulated entities or the general public that may reasonably be anticipated to:

(i) Lead to an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(ii) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(iii) Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(iv) Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in Executive Order 12866, as further amended.

b. does not include legal advisory opinions for internal Executive Branch use and not for release (such as Department of Justice Office of Legal Counsel opinions); briefs and other positions taken by agencies in investigations, pre-litigation, litigation, or other enforcement proceedings (nor does this Bulletin in any other way affect an agency's authority to communicate its views in court or in other enforcement proceedings); speeches; editorials; media interviews; press materials; Congressional correspondence; guidance documents that pertain to a military or foreign affairs function of the United States (other than guidance on procurement or the import or export of non-defense articles and services); grant solicitations; warning letters; case or investigatory letters responding to complaints involving fact-specific determinations; purely internal agency policies; guidance documents that pertain to the use, operation or control of a government facility; internal guidance documents directed solely to other Federal agencies; and any other category of significant guidance documents exempted by an agency head in consultation with the OIRA Administrator.

5. The term "economically significant guidance document" means a significant guidance document that may reasonably be anticipated to lead to an annual effect on the economy of $100 million or more or adversely affect in a material way the economy or a

sector of the economy, except that economically significant guidance documents do not include guidance documents on Federal expenditures and receipts.

6. The term "disseminated" means prepared by the agency and distributed to the public or regulated entities. Dissemination does not include distribution limited to government employees; intra- or interagency use or sharing of government information; and responses to requests for agency records under the Freedom of Information Act, the Privacy Act, the Federal Advisory Committee Act or other similar laws.

7. The term "regulatory action" means any substantive action by an agency (normally published in the **Federal Register**) that promulgates or is expected to lead to the promulgation of a final regulation, including notices of inquiry, advance notices of inquiry and notices of proposed rulemaking (see Executive Order 12866, as further amended, § 3).

8. The term "regulation" means an agency statement of general applicability and future effect, which the agency intends to have the force and effect of law, that is designed to implement, interpret, or prescribe law or policy or to describe the procedure or practice requirements of an agency (see Executive Order 12866, as further amended, § 3).

II. Basic Agency Standards for Significant Guidance Documents.

1. Approval Procedures:
    a. Each agency shall develop or have written procedures for the approval of significant guidance documents. Those procedures shall ensure that the issuance of significant guidance documents is approved by appropriate senior agency officials.
    b. Agency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence.
2. Standard Elements: Each significant guidance document shall:
    a. Include the term "guidance" or its functional equivalent;
    b. Identify the agenc(ies) or office(s) issuing the document;
    c. Identify the activity to which and the persons to whom the significant guidance document applies;
    d. Include the date of issuance;
    e. Note if it is a revision to a previously issued guidance document and, if so, identify the document that it replaces;
    f. Provide the title of the document, and any document identification number, if one exists;
    g. Include the citation to the statutory provision or regulation (in Code of Federal Regulations format) which it applies to or interprets; and
    h. Not include mandatory language such as "shall," "must," "required" or "requirement," unless the agency is using these words to describe a statutory or regulatory requirement, or the language is addressed to agency staff and will not foreclose agency consideration of positions advanced by affected private parties.

III. Public Access and Feedback for Significant Guidance Documents.

1. Internet Access:

a. Each agency shall maintain on its website -- or as a link on an agency's website to the electronic list posted on a component or subagency's website -- a current list of its significant guidance documents in effect. The list shall include the name of each significant guidance document, any document identification number, and issuance and revision dates. The agency shall provide a link from the current list to each significant guidance document that is in effect. New significant guidance documents and their website links shall be added promptly to this list, no later than 30 days from the date of issuance.

b. The list shall identify significant guidance documents that have been added, revised or withdrawn in the past year.

2. Public Feedback:

a. Each agency shall establish and clearly advertise on its website a means for the public to submit comments electronically on significant guidance documents, and to submit a request electronically for issuance, reconsideration, modification, or rescission of significant guidance documents. Public comments under these procedures are for the benefit of the agency, and no formal response to comments by the agency is required by this Bulletin.

b. Each agency shall designate an office (or offices) to receive and address complaints by the public that the agency is not following the procedures in this Bulletin or is improperly treating a significant guidance document as a binding requirement. The agency shall provide, on its website, the name and contact information for the office(s).

IV. Notice and Public Comment for Economically Significant Guidance Documents.

1. In General: Except as provided in Section IV(2), when an agency prepares a draft of an economically significant guidance document, the agency shall:

a. Publish a notice in the **Federal Register** announcing that the draft document is available;

b. Post the draft document on the Internet and make it publicly available in hard copy (or notify the public how they can review the guidance document if it is not in a format that permits such electronic posting with reasonable efforts);

c. Invite public comment on the draft document; and

d. Prepare and post on the agency's website a response-to-comments document.

2. Exemptions: An agency head, in consultation with the OIRA Administrator, may identify a particular economically significant guidance document or category of such documents for which the procedures of this Section are not feasible or appropriate.

V. Emergencies.

In emergency situations or when an agency is obligated by law to act more quickly than normal review procedures allow, the agency shall notify OIRA as soon as possible and, to the extent practicable, comply with this Bulletin. For those significant guidance documents that are governed by a statutory or court-imposed deadline, the

agency shall, to the extent practicable, schedule its proceedings so as to permit sufficient time to comply with this Bulletin.

VI. Judicial Review.

This Bulletin is intended to improve the internal management of the Executive Branch and is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, against the United States, its agencies or other entities, its officers or employees, or any other person.

VII. Effective Date.

The requirements of this Bulletin shall take effect 180 days after its publication in the **Federal Register** except that agencies will have 210 days to comply with requirements for significant guidance documents promulgated on or before the date of publication of this Bulletin.

Exhibit 4 to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

Petition to Vacate Restriction Requirement and to Vacate Final Rejection, July 6, 2009

Originally filed July 6, 2009

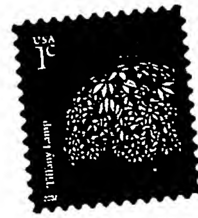
The stamp of the Patent and Trademark Office Mail Room hereon acknowledges the receipt of the below-identified document(s) on the date indicated by such stamp.

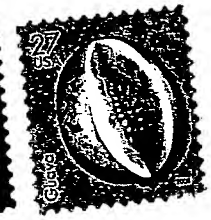
Atty. Docket No.	1906-3-Pole	Atty./Sec.	
Date Mailed	July 6, 2009	Express Mail No.	<EH 618492823 US>
Applicant(s):	Douglas G. Lowenstein, et al.		
Serial/conf No.	09/611,548 - 6763	Filing Date	July 7, 2000

Title: FINANCING OF TENANT IMPROVEMENTS

Documents Enclosed:

1. This postcard
2. Certificate of Express Mailing – No. <EH 618492823 US>
3. Petition to Vacate Restriction Requirement and to Vacate Final Rejection





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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Serial No.:	09/611,548	Confirmation No.:	6763
Applicant:	Douglas G. Lowenstein, et al.		
Title:	FINANCING OF TENANT IMPROVEMENTS		
Filed:	July 7, 2000	Art Unit:	3695
Atty. Docket:	1906-3-Pole	Examiner:	N. Subramanian

CERTIFICATE OF EXPRESS MAILING

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Dated: July 6, 2009

By: Donna Angotti
Signature of Person Making Deposit

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New York, NY 10005
(212) 858-7515
(212) 858-7750 (FAX)

PATENT ATTORNEY DOCKET NO. 1906-3-Pole

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Serial No.: 09/611,548 Confirmation No.: 6763
Petitioner: Douglas G. Lowenstein, et al.
Title: FINANCING OF TENANT IMPROVEMENTS
Filed: July 7, 2000
Art Unit: 3695
Examiner: N. Subramanian
Atty. Docket: 1906-3-Pole
Customer No. 68536

I certify that this correspondence, along with any documents referred to therein, is being deposited with the United States Postal Service on July 6, 2009 as Express Mail, Post Office to Addressee, Express Mail Label No. <EH 618492823 US>, in an envelope with sufficient postage addressed to Mail Stop SPRE Shop 3690, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

PETITION TO VACATE RESTRICTION REQUIREMENT AND TO VACATE FINAL REJECTION

Mail Stop SPRE Shop 3690
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Petitioner seeks relief for the following issues:

- The Examiner's requirement for restriction, as made final after reconsideration in the Advisory Action of May 5, 2009, was illegal when issued. This is ***not*** a petition for rejoinder or for review of a validly-issued requirement. It is a petition to ***vacate*** an action of the examiner that was illegal when the examiner issued it. This is discussed in § I of this Petition, starting at page 4.

- Finality rejection, as reaffirmed after a request for reconsideration in the Examiner's paper of May 5, 2009 is premature for several reasons, as set forth in § II of this petition, starting at page 25.

The Office Action of May 5, 2009 should be vacated, and prosecution reopened with all claims under consideration.

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I. The Restriction Requirement Should be Vacated

The restriction requirement now pending violates a number of statutes and PTO procedures. These issues were squarely raised in Petitioner's papers of June 2008 and March 2009. The Examiner failed, in many cases, to answer all material traversed, and therefore apparently acquiesces in the various showings of error. The Examiner's maintaining his position is literally unexplained.

The restriction requirement was issued outside any legal boundary, and was void when issued. It should be vacated. The Examiner should be instructed that if he wishes to divide the application, he must do so in conformance with all provisions of the MPEP, and only those for which the PTO has obtained legal authority under all applicable laws. Petitioner believes that no such restriction can be issued, but would acquiesce to such if the PTO would simply examine this application under the law.

A. Procedural History

Between January 2002 and October 2007, several different examiners examined the application. As of October 2007, claims 1-118 had been examined, with no serious search burden, and no restriction. In every case where prior art issues were raised, the same primary reference was used against all claims. All art rejections were eventually overcome without amendment to the claims, because after many rounds of papers, it was finally agreed that the examiners had failed to consider the claim language in all Office Actions up to August 2006. During this time, the Office was forced to withdraw all art rejections, and twice to withdraw premature final rejection, primarily because the examiners had failed to comply with mandatory Office procedures.

In a telephone interview of January 2007, Examiner Chencinski stated that his instructions from his management were to deliberately delay allowance of applications.[1]

Thus, as of late Spring 2007, this application had been pending *seven years*, and the delay was due almost entirely to the Patent Office.

The application was reassigned from Examiner Chencinski to Examiner Subramanian in early 2007.

In a series of telephone interviews in fall 2007, Examiner Subramanian indicated a number of personal preferences, for example that claims be written in shorter paragraphs and with certain grammatical constructs, that have nothing to do with any recognized standard for patentability. Nonetheless, in an effort to accommodate Examiner Subramanian's personal preferences and move the application forward, on October 10, 2007, Petitioner added new claims tailored to Examiner Subramanian's personal preferences. These new claims largely parallel the subject matter of existing claims that had already been examined and allowed over the art.

On January 10, 2008, the Examiner issued a restriction requirement. This requirement proposed to divide claims 1-118, even though they had already been examined multiple times, and allowed over the art.

On June 10, 2008, Petitioner traversed the restriction *solely* on grounds of "serious search burden." No issue of "independent and distinct" was traversed. The primary ground of traverse relies on these two points:

- Because the claims have already been searched extensively and allowed over the art, no further search is permitted, pursuant to MPEP § 704.01 and § 706.04 (a new examiner is to give full faith and credit to the search and action of the prior examiner, unless the new examiner makes a showing of "clear error");
- If no search is permitted, there can be no "serious burden of search," and therefore, restriction is improper under MPEP §§ 803(I)(B), 803.02, 806.01, 806.04(a)-(j), 808.01(a) and 808.02.
- A number of other issues were raised as well, which will be discussed below as they become relevant.

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[1] See Summary of Interviews, filed Feb 26. 2007, ¶ 41, in the IFW at March 2, 2007, at entry "Transmittal to T.C.," 12 pages.

On October 3, 2008, Examiner Subramanian maintained the restriction requirement, but did not answer the precise issues traversed. Instead he shifted grounds. He made no showing of "clear error" in the previous examiners' decision not to restrict, he stated only that he "disagreed." (Examiner's paper of October 3, 2008, ¶ 10.) Examiner Subramanian made no response whatsoever to many of the particular points and grounds of traverse raised in Petitioner's June 2008 paper, or to support his restriction among claims 1-118; his analytical remarks were only directed to new claims 119-181. Examiner Subramanian was entirely silent on "serious search burden," his remarks were directed only at showing that the inventions are "independent and distinct," which was not in issue.

Instead, the Examiner's paper of October 3, 2008 introduces an entirely new ground, and does two remarkable things. First, Examiner Subramanian stated the following new grounds of restriction:

> Also there would be a serious search and examination burden if restriction were not required because one or more of the following reasons apply: (a) the inventions have acquired a separate status in the art in view of their different classification; (b) the inventions have acquired a separate status in the art due to their recognized divergent subject matter; (c) the inventions require a different field of search (for example, searching different classes/subclasses or electronic resources, or employing different search queries); (d) the prior art applicable to one invention would not likely be applicable to another invention; (e) the inventions are likely to raise different non-prior art issues under 35 U.S.C. 101 and/or 35 U.S.C. 112, first paragraph.

Note that grounds (d) and (e) exist in no document that was published or in effect in October 2008. The Examiner's paper of October 3, 2008 likewise does not identify which of the five grounds the Examiner believed to be applicable; that was left entirely for Petitioner to guess; it merely reasserts that the inventions are "independent and distinct" (which is irrelevant to any issue pending). Nor does the Examiner's paper of October 3, 2008 identify facts that would support any of the five.

Second, the Examiner imposed a requirement to cancel the non-elected claims, apparently in an effort to force applicants to abandon the right to petition for rejoinder.

Petitioner traversed in March 2009, on a number of alternative grounds. Among the grounds are the following:

- No further search is required pursuant to MPEP § 704.01 and § 706.04, thus there can be no "serious search burden"
- The Examiner's papers do not follow the instructions set forth in MPEP Chapter 800 or any other published document. This violates:
  - the requirements of the Administrative Procedure Act, 5 U.S.C. § 552, for publication
  - the Paperwork Reduction Act, which requires White House OMB clearance for any rule or change in procedures that changes the content, form, number or burden of papers to be submitted to the PTO
  - instructions from the Executive Office of the President to all federal agencies, to provide the public with written notice of written standards applied by the agency, and for agency employees not to depart from such published instructions

The Examiner issued the paper from which this petition arises on May 5, 2009. Examiner Subramanian expresses that he "disagrees" with the MPEP, and that in his personal opinion (with no citation to any authority, and no attempt to explain his failure to follow MPEP § 704.01 and § 706.04) that he believes he must search the application again. On issue after issue, the May 5, 2009 paper fails to "answer all material traversed."

This petition follows timely within two months on July 6, 2009 (July 5 was a Sunday).

B. This Restriction Issue is Petitionable Subject Matter and is Timely Presented

The issues as now pending were raised in the Examiner's paper of October 2008. Reconsideration was requested in Petitioner's paper of March 2009, and the Examiner adhered to his position on May 5, 2009.

This petition is timely filed within two months after the Examiner's denial of a request for reconsideration, dated May 5, 2009. Several of the grounds set forth below arise under statute, and may not be abrogated or limited by PTO rule. Others are covered by a statute that forbids the PTO from imposing any deadline. *E.g.*, 44 U.S.C. § 3512(c) ("The protection provided by [§ 3512] may be raised in the form of a complete defense, bar, or otherwise ***at any time*** during the agency administrative process"). Further, the PTO lacks authority to impose any requirement for form or deadline for this petition, because the PTO has never sought—let alone

obtained—clearance under the Paperwork Reduction Act for such a deadline. See § I.C.2 at page 11.

Finally, any time limit should be waived, because the Examiner acted untimely. The Examiner attempts to restrict claims that had, at the time of his first attempt at restriction, been pending together for *seven and one half years*. That extended pendency had been almost entirely due to *examiner error*,[2] or else management instructions to the examiners to deliberately delay applications.[3] Restriction among the long-pending claims is simply unfair—Petitioner will lose *years* of patent term adjustment for the claims that are forced into a divisional application.

C. The Restriction Requirement and any Deadline for this Petition are Unenforceable Under the Paperwork Reduction Act

1. The Restriction Requirement Is Unenforceable

The Paperwork Reduction Act, 44 U.S.C. § 3501-3519,[4] requires the PTO to request and obtain approval from the White House Office of Management and Budget before it may enforce any rule requiring any submission of information to the PTO. The procedural steps that the PTO must follow are set out in 44 U.S.C. § 3507 ("An agency shall not conduct or sponsor the collection of information unless in advance of the adoption or revision … the agency has…" followed the steps for obtaining White House approval). 44 U.S.C. § 3512 provides that the PTO may not enforce any requirement, or penalize any applicant, if the PTO failed to complete those steps and obtain OMB approval.

The PTO has neither sought nor obtained White House approval for the revisions to restriction practice reflected in the Examiner's October 3, 2008 paper, or for any other revisions to restriction practice, since at least 2003. The PTO's most-recent request for approval under the Paperwork Reduction Act under ICR 0651-0031, covering all "patent processing" activities

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[2] The § 103 issues to which the prior examiners had held tenaciously were eventually abandoned by the PTO with no significant amendment to the claims.

[3] Interview Summary filed Feb. 26, 2007, ¶ 41.

[4] The text of the Act is available at http://www.archives.gov/federal-register/laws/paperwork-reduction/, and the text of OMB's implementing regulations for agencies (5 C.F.R. Part 1320, especially §§ 1320.5, 1320.8, 1320.9, and 1320.11) is at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title05/5cfr1320_main_02.tpl.

between initial filing and issue,[5] was filed with the Office of Management and Budget on September 26, 2007.[6] This request does not seek approval for any paperwork relating to restriction requirements.[7] Attorneys for Petitioner have reviewed all PTO Paperwork submissions to the White House OMB going back to 2003, and it appears that the PTO has *never* sought or obtained White House Paperwork approval for any revision of restriction practice since at least 2003. Apparently, the PTO has *never* sought Paperwork clearance for *any* aspect of restriction practice.

Further, no OMB control number is "displayed" on the Examiner's papers in the manner required by the Paperwork Reduction Act.

In such situations, the Paperwork Reduction Act provides as follows:

> **44 U.S.C. § 3512 Public protection**
>
> (a) Notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information that is subject to this subchapter if –
>
> (1) the collection of information does not display a valid control number assigned by the Director in accordance with this subchapter; or
>
> (2) the agency fails to inform the person who is to respond to the collection of information that such person is not required to respond to the collection of information unless it displays a valid control number.
>
> (b) The protection provided by this section may be raised in the form of a complete defense, bar, or otherwise at any time during the agency administrative process or judicial action applicable thereto.

Regulations promulgated by the Executive Office of the President, and applicable to all federal agencies, provide as follows:[8]

> **5 C.F.R. § 1320.6 Public protection.**
>
> (c) Whenever an agency has imposed a collection of information as a means for proving or satisfying a condition for the receipt of a benefit or the avoidance of a penalty, and the collection of information does not display a currently valid OMB control number or inform the potential persons who are to respond to the collection of information, as prescribed in Sec. 1320.5(b), the agency shall not treat a person's failure to comply, in and of itself, as grounds for withholding the benefit or imposing the penalty. The agency

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[5] http://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0031

[6] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005

[7] http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0

[8] http://edocket.access.gpo.gov/cfr_2002/janqtr/pdf/5cfr1320.6.pdf

> shall instead permit respondents to prove or satisfy the legal conditions in any other reasonable manner. ...
>
> (d) Whenever a member of the public is protected from imposition of a penalty under this section for failure to comply with a collection of information, such penalty may not be imposed by an agency directly, by an agency through judicial process, or by any other person through administrative or judicial process.

The PTO neglected to take the steps it was required to take if it wishes to enforce restriction requirements. Thus, certainly no change to restriction practice since 2003 is enforceable, and apparently all of Chapters 800 and 37 C.F.R. § 1.141 *et seq.* are unenforceable.

Instead, the PTO is required by § 1320.6(c) to permit applicants to provide required information, that is, claims, "in any reasonable manner." The claims now pending are filed in the manner provided by statute, as examined by several previous examiners, and as suggested by Examiner Subramanian. The claims are presented in a "reasonable" form, and the PTO has no authority to impose further requirements for division.

If any restriction is adhered to in future or this ground of petition is denied or dismissed, the PTO must identify:

- Where and when the PTO published objective estimates of burden of restriction requirements, and petitions arising from restriction requirements, and sought public comment, as required by 44 U.S.C. § 3506(c)(2)(A) and (B).
- The OMB "valid control number" applicable to restriction requirements.
- The OMB ICR submission number in which that control number was applied for.
- The line item in the Information Collection Supporting Statement from that ICR applicable to restriction practice.
- An indication where the control number is "displayed" in the manner required by 44 U.S.C. § 3512(a)(1).
- Where the PTO informed the public that it is not required to comply with the amendments to restriction practice set forth in the Examiner's October 3, 2008 paper unless the PTO displays a valid control number, pursuant to 44 U.S.C. § 3512(a)(2).

44 U.S.C. §§ 3507 and 3512 and 5 C.F.R. § 1320.6 provide that if any one of these six questions is not answered, the PTO cannot enforce restriction practice as set forth in the Examiner's October 3, 2008 paper. Petitioner's attorney has diligently sought for any indication that the PTO ever even attempted to take the steps it was required to take if it wishes to enforce the

amended criteria for restriction. No indication has been found. Unless the PTO can provide answers to all six of the above questions, all restriction requirements must be withdrawn.

2. Any Requirement for Form or Deadline that Might Apply to This Petition is Likewise Unenforceable

The PTO has apparently never sought Paperwork clearance for petitions to review or vacate restriction requirements. Thus, any deadline or form that the PTO might wish to impose by rule is superseded by statute, and may not be enforced.

D. The Restriction Paper Is Illegal and Unenforceable Under Several Provisions of the Administrative Procedure Act and Under Instructions from the Executive Office of the President to Federal Agencies

1. The President's Final Bulletin for Agency Good Guidance Practices Places this Restriction Requirement Outside the Limits of Discretion of the PTO

Over two years ago, the Executive Office of the President issued the *Final Bulletin for Agency Good Guidance Practices*.[9] The President's Bulletin instructs all federal agencies to observe these two principles:

- Guidance documents (such as the MPEP) do not state "law" applicable to applicants.[10]
- Guidance documents (such as the MPEP) are binding on agency personnel. When a guidance document, such as the MPEP, uses mandatory language, agency personnel have no authority to depart.[11] Any departure requires supervisory consent from relatively high up in the agency.

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[9] Executive Office of the President, "Final Bulletin for Agency Good Guidance Practices," OMB Memorandum M-07-07, http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf (Jan. 18, 2007), 72 Fed. Reg. 3432 (Jan. 25, 2007); and "Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices," OMB Memorandum M-07-13, http://www.whitehouse.gov/omb/ memoranda/fy2007/m07-13.pdf (April 25, 2007).

[10] The *Good Guidance* Bulletin, § II(2)(h) instructs as follows:

> 2. *Standard Elements*: Each significant guidance document shall:
>
> h. Not include mandatory language such as "shall," "must," "required" or "requirement," unless the agency is using these words to describe a statutory or regulatory requirement, or the language is addressed to agency staff and will not foreclose agency consideration of positions advanced by affected private parties.

[11] The *Good Guidance Bulletin*, § II(1)(b) instructs as follows:

> b. Agency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence.

The Department of Commerce required the PTO to apply this Presidential directive to the MPEP.[12]

2. Requirements of the Administrative Procedure Act

The *Good Guidance* Bulletin is largely a reminder to agencies of long-standing principles arising under the Administrative Procedure Act: documents issued without the rule making procedures required by 5 U.S.C. §§ 552 and 553 are not binding law against the public, but published agency documents are binding against agency personnel.

Agency actions are void – that is, they have no legal existence – when an agency fails to comply with the procedures set out in the agency's own procedural handbook.[13] An action taken in violation of "applicable departmental regulations" is "illegal and of no effect."[14] The Examiner has no discretion to depart from mandatory language in the MPEP.[15]

The Administrative Procedure Act requires that all rules be published, and that the public be given notice of the existence of the rule by notice in the Federal Register, before any such rule may be enforced against any party but the agency itself. 5 U.S.C. §§ 552(a)(1), 553(d). These provisions apply to all "rules," whether those "rules" are embodied as formal regulations, or as informal rules in documents such as the MPEP. Further, "the USPTO must engage in notice and comment rule making when promulgating rules it is otherwise empowered to make." *Tafas v. Dudas*, 541 F.Supp.2d 805, 812, 86 USPQ2d 1623, 1628 (E.D. Va. 2008), *rev'd on other grounds,* 559 F.3d 1345, 90 USPQ2d 1129 (Fed. Cir. 2009). For example, § 552 reads as follows:

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[12] Department of Commerce, Office of the Chief Information Officer, Significant Guidance Documents Currently in Effect, http://ocio.os.doc.gov/PROD01_003151.

[13] *Service v. Dulles*, 354 U.S. 363, 388-89 (1957) (vacating agency action issued in violation of guidelines stated in an unpublished agency manual).

[14] *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959); *IMS, P.C. v Alvarez*, 129 F.3d 618, 621 (D.C. Cir. 1997) (it is a "well-settled rule that an agency's failure to follow its own regulations is fatal to the deviant action"); *Dodson v. Dept. of the Army*, 988 F.2d 1199, 1204 (Fed. Cir. 1993) (once an agency promulgates regulations, it is bound to follow them).

[15] *Reuters v. F.C.C.*, 781 F.2d 946, 950-51 (D.C. Cir. 1986) ("*Ad hoc* departures from [an agency's] rules, even to achieve laudable aims, cannot be sanctioned").

5 U.S.C. § 552. Public information; agency rules, opinions, orders, ...

(a)(1) Each agency shall separately state and currently publish **in the Federal Register** for the guidance of the public—

. . .

(B) statements of the general course and method by which its functions are channeled and determined, including the nature and requirements of all formal and informal procedures available;...

(C) rules of procedure. . .;

(E) each amendment, revision, or repeal of the foregoing.

Except to the extent that a person has actual and timely notice of the terms thereof, a person **may not in any manner be required to resort to, or be adversely affected by**, a matter required to be published in the Federal Register and not so published....

. . .. A ... statement of policy, interpretation, staff manual or instruction that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if—

(i) it has been indexed and either made available or published as provided by this paragraph; or

(ii) the party has actual and timely notice of the terms thereof.

A Lexis search in April 2009 of all Federal Register notices for the last 15 years shows no applicable Federal Register notice that could give effect to the revisions to restriction practice set forth in the Examiner's October 3, 2008 paper. On the facts available today, it appears that the PTO "may not in any manner [ ] require [Petitioner] to resort to, or ... adversely affect[ ]" Petitioner via any provision of the MPEP or any other staff manual, statement of policy, or instruction issued since 1980. Unless the PTO can show either publication of a Federal Register notice or personal service on this applicant or attorney specifically drawing their attention to the specific provision the PTO wishes to enforce, the restriction provisions set forth in the Examiners' papers may not be enforced against Petitioner.

The Examiner was asked to identify a document that stated the law of restriction that he proposed to apply. (*E.g.*, Reply of March 4, 2009, page 15). By his failure to answer all material traversed, Examiner Subramanian concedes that the PTO never authorized him to take the actions he did. In other words, the restriction requirements are not acts of the PTO that have any legal effect, they are frolics of a rogue employee, with no binding effect on either the PTO or Petitioner.

If the PTO wishes to modify restriction practice in the manner indicated in Examiner's October 3, 2008 paper, the APA requires that the PTO do one of two things: (a) show that it published an appropriate notice in the Federal Register, or (b) show that a person associated with this application personally had "actual and timely notice." The PTO did neither, and thus the restriction provisions may not be enforced.

E. The Previous Examiners' Determination that No Restriction is Warranted Must Be Given "Full Faith and Credit" – Examiner Subramanian Erred In Failing to Do So

The previous course of examination bars restriction now. MPEP § 704.01 gives the Director's instructions to examiners as follows:

> **PREVIOUS EXAMINER'S SEARCH**
>
> When an examiner is assigned to act on an application which has received one or more actions by some other examiner, full faith and credit should be given to the search and action of the previous examiner unless there is a clear error in the previous action or knowledge of other prior art. In general the second examiner should not take an entirely new approach to the application or attempt to reorient the point of view of the previous examiner, or make a new search in the mere hope of finding something. See MPEP § 719.05.

This is merely a statement of a long-standing requirement arising under the Administrative Procedure Act, that once an agency rules in favor of an applicant, the PTO cannot change its mind without explaining why the previous decision is "clearly erroneous."[16]

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[16] *Atchison, Topeka and Santa Fe Rwy. v. Wichita Board of Trade*, 412 U.S. 800, 805–08 (1973) ("Whatever the ground for the departure from prior norms, ..., it must be clearly set forth so that the reviewing court may understand the basis for the agency's action and so may judge the consistency of that action with the agency's mandate."); *Ramaprakash v. Federal Aviation Admin.*, 346 F.3d 1121, 1124 (D.C. Cir. 2003) (Roberts, J.) (an agency departing from its precedent must provide "a reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored."); *Ramaprakash*, 346 F.3d at 1125 ("An agency's failure to come to grips with conflicting precedent constitutes an inexcusable departure from the essential requirement for reasoned decision making."); *Int'l Ass'n. of Bridge, Structural and Ornamental Iron Workers, Local 111 v. National Labor Relations Bd.*, 792 F.2d 241, 247–48 (D.C. Cir. 1986) ("The purpose for the APA requirement that there be included ... 'conclusions, and the reasons or basis therefor ...' is to impose a discipline on the agency itself, assuring that it has undergone a process of reasoned decision making rather than haphazardly reached a result... [I]t was unquestionably incumbent on the [agency] to explain why it did not consider its decision a departure from the principles established in its prior cases, or why it considered a departure appropriate").

First, any restriction requirement requires a showing of "serious search burden." MPEP §§ 803, 803.02, 806.04(a)-(j), 808.01(a) and 808.02 Such a showing cannot be made in this case for the following reasons:

- No further search is permitted, let alone required. At least claims 1-118 have been searched repeatedly by two previous examiners (Examiners Kanoff and Chencinski), and have been found to be allowable over all art located by those three examiners. (See Action of November 1, 2006, indicting that all claims are allowed over the art). Examiner Subramanian is required to give "full faith and credit" to this determination, and is not permitted to open a new search. MPEP §§ 704.01, 706.04. If no search is permitted, there cannot be a "serious" ***search*** burden, and thus no restriction can be supported.
- Examiners Kanoff and Chencinski also determined that the claims are closely enough related that no restriction was warranted. Examiner Subramanian is required to give "full faith and credit" to this action as well. MPEP §§ 704.01, 706.04.
- Every previous Action that applied art against the claims applied a single primary reference to all rejected claims. (Art rejections were subsequently withdrawn). This strongly suggests that the claims cannot be so divergent from each other that they require multiple burdensome searches.

If no "serious search burden" can be shown, no restriction is appropriate.

Examiner Subramanian himself concedes that there is no "clear error" in Examiner Kanoff's and Chencinski's action. Petitioner several times challenged Examiner Subramanian to identify any "clear error" in the actions of Examiners Kanoff and Chencinski. Examiner Subramanian was unable to do so. All he was able to say is that he "disagrees" with the previous examiners. (Examiner's October 3, 2008 paper, page 8, line 17.) But "disagreement" is not "clear error." The mere fact that new personnel substituted for old "might reach a different conclusion, does not mean that the earlier decision is 'clearly erroneous.'" *Suel v. Sec'y of Health & Human Svcs.*, 192 F.3d 981, 985 (Fed. Cir. 1999). "[E]ven reasoned disagreement with such a finding does not, without more, establish that it is clearly erroneous." *Champagne Louis Roederer S.A. v Delicato Vineyards*, 148 F.3d 1373, 1375, 47 USPQ2d 1459, 1461 (Fed. Cir. 1998). To maintain any restriction, Examiner Subramanian was required to show that Examiners Kanoff and Chencinski were so completely wrong as to be "clearly erroneous" and that no reasonable person could have done what they did. He did not do so, and thus Examiners Kanoff's and Chencinski's determinations of "no serious search burden" among claims 1-118 must be given "full faith and credit."

Strikingly, the MPEP *twice* instructs that the prior searches are to be given "full faith and credit" and allowability over the art is not to be re-questioned unless the new examiner can demonstrate "clear error" or has personal knowledge of new art.[17] MPEP §§ 704.01, 706.04. Examiner Subramanian says he "disagrees" with the MPEP, and grants himself the power to reopen search. (Advisory Action of May 5, 2009, box 11, lines 6-8). Prosecution cannot advance when an examiner says he "disagrees" with instructions from the PTO. When an examiner "disagrees" with the MPEP, it is impossible for an applicant and an examiner to know what to expect of each other, or to proceed efficiently. Examiner Subramanian acted illegally, and his paper of October 2008 must be vacated.

With no "serious search burden," MPEP §§ 803, 803.02, 806.04(a)-(j), 808.01(a) and 808.02 require withdrawal of the restriction requirement.

1. The Groups are Misclassified

The title of this application, and the subject matter of all claims, suggests that all claims are most appropriately classified for search in 705/35:

> 35 **Finance (e.g., banking, investment or credit):** This subclass is indented under subclass 1. Subject matter drawn to a computerized arrangement for planning the disposition or use of funds or securities, or extension of credit.

The restriction requirement proposes to search claims 1-27, 31-52, 56-59 and 74-181 in subclass 705/36T. 705/36T is not available in the web page of "Class Definitions" for class 705 (http://www.uspto.gov/go/classification/uspc705/defs705.htm), however, it is Applicant's understanding that 705/36T is directed to tax-reduction methods. However, almost none of the independent claims in Group I recite anything to do with taxes. *E.g.*, claims 2, 56, 74, 93, 102, 119, 130, 133, 148, 154, 158, 161, 172, and 179. Financial accounting and tax accounting are not the same thing. The Examiner's explanation given in the interview reflects an incorrect understanding of the relationship between the disciplines. Classification in 705/36T is simply wrong.

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[17] In a telephone interview of May 30, 2008, Examiner Subramanian stated that he had no personal knowledge of any art that would require new consideration of patentability under § 102 and § 103. (Summary of Telephone Interview with Examiner Subramanian on May 30, 2008, filed June 10, 2008, ¶ 7).

Likewise, the requirement proposes to search claims 28-30 and 53-55 in 705/26. This is likewise an incorrect search classification, which will result in an inefficient search. The definition for 705/26 is as follows:

> 26 **Electronic shopping (e.g., remote ordering):** This subclass is indented under subclass 1. Subject matter drawn to a computerized arrangement which enables a purchaser to inspect or select from a plurality of different items, or effect a purchase of one or more items at a location geographically separated from the system user.
>
> (1) Note. A remote shopping system is included in this subclass.

705/26 is not a well-chosen class for search. These claims recite no specialized "computer arrangement" for shopping. The features of these claims on which search should focus are the interlocking financing structures, not the "shopping" apparatus.

The requirement proposes to search claims 60-73 in 705/36T. The independent claim of this group, claim 60, is silent on "tax" issues. The classification is clearly incorrect.

Because the restriction requirement is so clearly faulty, no informed election can be made.

2. Restriction Among Groups I and III is Improper On Its Face

MPEP § 808.02 reads as follows:

> Where, however, the classification is the same and the field of search is the same and there is no clear indication of separate future classification and field of search, no reasons exist for dividing among independent or related inventions.

The restriction requirement of January 10, 2008 concedes that Groups I and III are "related" (page 4, middle of the page). The requirement also proposes to classify Groups I and III to the same search class (Class 705, subclass 36T). Restriction between these two Groups violates MPEP § 808.02, and this restriction should be withdrawn.

F. The Restriction Requirement Relied on a Secret, Unpublished Rule, and was Therefore Illegal Under the Administrative Procedure Act and Constitutional Due Process

To Petitioner's knowledge, "art applicable to one invention may not be applicable to another" and "different non-prior art issues under 35 U.S.C. 101 and/or 35 U.S.C. 112 , first paragraph" (set forth as items (d) and (e) in paragraph 10 of the October 3, 2008 Office Action justifying restriction) are nowhere authorized as a basis for restriction in any document timely

published in the manner required for enforceability, or as an alternative to "undue burden of ***search***." Thus, the grounds set forth in the Examiner's October 3, 2008 paper is forbidden by MPEP § 808.02.

The Examiner's paper of October 3, 2008 stated a restriction requirement in terms that are not stated in the MPEP. (Examiner's paper of October 3, 2008, at ¶ 10). Petitioner noted the deviation from MPEP procedures, and requested that the Examiner identify any document having force of law that stated the restriction rule applied in the Examiner's paper of October 3, 2008. (Reply of March 4, 2009, at pages 14-17, esp. p. 17). The Advisory Action of May 5, 2009 totally ignores the issue—there is a complete failure to Answer All Material Traversed. No document was identified. From all that appears in the record as of March 2009, Examiner Subramanian believes he has the power to make up the law out of thin air, or ignore provisions of the MPEP, with no underlying document for support.

This violates two laws. **First**, the Administrative Procedure Act provides that unpublished rules may not be enforced against the public. 5 U.S.C. § 552(a) (set forth in relevant part in § I.D.2 at page 13). Agencies may only enforce rules that are published in way that gives the public an opportunity to comply with them.

Second, the District of Columbia Court recently explained that federal agencies violated Constitutional Due Process if they rely on unwritten or unpublished rules:

> If Due Process is to mean anything, it is a fundamental guarantee that stakeholders are provided both sufficient notice and *fair procedures* when governmental discretion mandates the abrogation of their rights or privileges. The central purpose of the Due Process clause is to ensure the *accountability* of the government and its administrative agencies to its citizenry: while discretion is certainly permitted, ***administrators must*** provide a public framework for principled decision-making and ***create clear boundaries for that discretion***. "Courts should require administrative officers to ***articulate the standards and principles that govern their discretionary decisions in as much detail as possible***." … Due Process is best achieved when the integrity of the administrative process is maintained through a framework of ***publicly available rules and guidelines*** that provide an opportunity for comment and criticism. The idea that an administrative agency must provide a reasoned explanation using ***preordained standards*** serves a threefold purpose:
>
> [1] enabling the court to give proper review to the administrative determination; [2] helping to keep the administrative agency within proper authority and discretion, as well as helping to ***avoid and prevent arbitrary, discriminatory, and irrational action by the agency***; and [3] informing the aggrieved person of the grounds of the administrative action so that ***he can plan his course of action*** …

> ... Due Process ***requires written standards whose availability provides notice to the interested public***. *See, e.g., White v. Roughton,* 530 F.2d 750, 754 (7th Cir.1976) (state welfare program's use of ***unwritten personal standards*** of eligibility struck down because "fair and consistent" application of eligibility requirements mandates "***written standards and regulations***"); *Holmes v. New York City Housing Auth.,* 398 F.2d 262, 265 (2d Cir.1968) ("[d]ue process requires that selections among applications [in a housing program] be made in accordance with ***ascertainable standards***"); *Martinez v. Ibarra,* 759 F.Supp. 664, 668 (D.Colo.1991) (due process denied when the procedure for reviewing Medicaid application "is never articulated in clear, ***written standards***" ...); *Baker-Chaput v. Cammett,* 406 F.Supp. 1134, 1140 (D.N.H.1976) ("[T]he establishment of ***written, objective, and ascertainable standards*** is an elementary and intrinsic part of due process.").
>
> The D.C. Court of Appeals--in three major decisions--also has recognized the need for ascertainable, ***written standards*** in benefits programs and government decision-making. In *Miller v. District of Columbia Bd. of Appeals & Review,* 294 A.2d 365 (1972), the court highlighted "the danger of arbitrary administrative action based upon ***unarticulated and unannounced standards***." The court warned that "unless there are some standards relating the prior conduct of an applicant to the *particular* ... activity for which he seeks a license [to sell costume jewelry], the power to deny a license inevitably becomes an ***arbitrary, and therefore unlawful, exercise of judgment by one official***...."...

Lightfoot v. District of Columbia, 339 F.Supp.2d 78, 88-89 (D.D.C. 2004) (emphasis added, footnotes, quotations and citations omitted).

Beyond the pure legal principles, there is a very practical reason requiring publication. If any such legal principle exists, the principle is subject to conditions precedent, exceptions, attendant circumstances, context, or similar limitations. Without some reasonably precise, published, written statement of the legal principle, no applicant can determine whether the facts of a particular application fall within the legal principle thought to apply, and no applicant can amend the application in a way that precisely meets the legal principle. Perhaps electing is the best way to comply, perhaps claim amendments, or perhaps the Examiner's statement of the law is wrong, and no action is required at all. Without a written document, it is impossible for an applicant to identify the best way to comply to advance prosecution.

The restriction requirement as now pending is illegal for two reasons, and must be withdrawn.

First, it relies on a statement of law that was not timely published, and still has not been published with the procedures necessary if the PTO wishes to enforce it against applicants. Any restriction that states grounds (d) and (e) must be withdrawn.

Second, Petitioner squarely raised this issue and requested identification of a document stating the "(d) art applicable to one invention would not likely be applicable to the other" or "(e) different non-prior art issues under 35 U.S.C. 101 and/or 35 U.S.C. 112, first paragraph" tests for restriction. (Reply of arch 4, 2009, p. 17). Examiner Subramanian failed to "Answer All Material Traversed." This not only violates MPEP § 707.07(f), it deprives Petitioner of any reasonable way to comply in the best way, and the requirement lapsed because of the failure to "answer all material traversed." The restriction requirement must be vacated, to reset the clock and give both Examiner Subramanian and Petitioner an opportunity to comply with the law.

If any restriction is permitted to survive this Petition, the PTO must:

- Identify a document that was timely published and available to the public as of the filing date of the application (if claims 1-118 are to be divided), or, in the alternative, the date of the last amendment to the claims (if only claims 119-181 are to be restricted—the addition of the claims is the factor that Examiner Subramanian relies on in his restriction).
- Identify where the PTO *timely* complied with these legal requirements for the restriction requirement as stated in the Examiner's paper of October 3, 2008:
  - How the document identified in the previous bullet point complies with policy stated in the Foreword of the MPEP, "Orders and Notices still in force which relate to the subject matter included in this Manual are incorporated in the text. Orders and Notices, or portions thereof, relating to the examiners' duties and functions which have been omitted or not incorporated in the text may be considered obsolete."
  - Where the PTO published the provision as required by the Administrative Procedure Act, including a notice in the Federal Register, as required by 5 U.S.C. § 552(a).
  - The ICR submission number in which the PTO sought Paperwork Reduction Act clearance under 44 U.S.C. § 3506 and § 3507 (steps the PTO was required to take before it may impose paperwork burdens on the public).
  - Where the PTO complied with the President's *Good Guidance* Bulletin, § IV (draft of economically significant guidance document must be vetted by public notice and comment).
- Show that that publication occurred sufficiently before July 2000 or October 3, 2008, and with sufficient form and supporting documentation, to comply with the various laws listed above.

Unless the PTO can show where all these requirements of law were complied with (or shows that the requirement is inapplicable), the restriction must be vacated.

G. The Restriction is an Illegal Attempt at Retroactive Rulemaking

The PTO lacks authority to change the rules in the middle of the game. The Supreme Court explained the general principle:

> Retroactivity is not favored in the law. ... a statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms. See *Brimstone R. Co. v. United States,* 276 U.S. 104, 122 (1928) ("The power to require readjustments for the past is drastic. It ... ought not to be extended so as to permit unreasonably harsh action without very plain words"). Even where some substantial justification for retroactive rulemaking is presented, courts should be reluctant to find such authority absent an express statutory grant.

Bowen v. Georgetown University Hosp., 488 U.S. 204, 208-09 (1988); *Leland v. Fed. Ins. Admin.*, 934 F.2d 524, 527 (4th Cir. 1991).[18] An agency violates the proscription against retroactive rule making when "the new provision attaches new legal consequences to events completed before its enactment." *Landgraf v. USI Film Products*, 511 U.S. 244, 269 n.23 (1994).

Congress has not granted the PTO any retroactive rulemaking powers. *See* 35 U.S.C. § 2(b)(2).

A regulation is retroactive if "it would impair rights a party possessed when he acted . . . or impose new duties with respect to transactions already completed." *Landgraf*, 511 U.S. at 280. Here, the restriction requirement is retroactive in both respects. First, it "imposed new duties" as to claims 1-118 that did not exist before Examiner Subramanian inherited the case, and could not have been known to Petitioner when claims 119-181 were added as an attempt to meet Examiner Subramanian's non-statutory preferences for claim form. Thus, Examiner Subramanian's new restriction requirement "impairs rights" that Petitioner had when claims 119-181 were added. Second, Examiner Subramanian states a requirement to cancel claims in response to a restriction requirement. This is a new duty, and incompatible with 37 C.F.R. § 1.144, which permits claims to remain pending until allowance.

This application was filed in July 7, 2000 and met the standards for avoiding restriction at that time. Had the rules the PTO now seeks to impose been in effect at that time, the application

[18] *See Martin v. Hadix*, 527 U.S. 343, 359 (1999) makes clear that concerns about retroactivity are fully applicable to procedural rules. (quoting *Landgraf*, 511 U.S. at 275 n. 29); *see also Brown v. Angelone*, 150 F.3d 370, 373 (4th Cir. 1998) (citing *Landgraf*).

would have been structured differently, or filed as several parallel applications, in order to prevent loss of patent term adjustment that occurs when divisional applications are filed.

Here, there can be no question that the restriction provisions imposed in the Examiner's October 3, 2008 paper change the legal consequences—particularly the availability of patent term extension to compensate for the Office's already extensive delays—of the decision made to file the claims in a single application rather than in a voluntarily-divided set of applications.

The Patent Office must apply restriction practice as it existed in July 7, 2000. Petitioner believes that no restriction can be raised under that standard, but the PTO is welcome to consider the matter. But applying new standards retroactively is simply illegal.

Because the restriction requirement applies a new standard retroactively, it must be vacated. If any restriction is to be raised against claims 1-118, it must be raised on the standards articulated in the MPEP as of July 2000 (the filing date for the application), to avoid retroactivity concerns.

H. The Failure to Provide an Identification of the Grounds for Restriction and the Facts Supporting that Ground Violated the MPEP and the Administrative Procedure Act

MPEP § 808.02 requires that the examiner identify the grounds for restriction, and then provide a discussion of facts or examples to support the showing. This is merely an elaboration of the Administrative Procedure Act, which requires that all written agency decisions be supported by a written statement of grounds that identifies the specific legal standard relied on, the facts that are relevant to the decision, the evidence that supports any fact or inference, and a sufficient statement of the application of the law to the facts to apprise a party of the agency's basis for decision.[19] The agency's written decision must be sufficiently detailed to ensure that

[19] *Brown v. Apfel*, 11 Fed.Appx. 58, 59–60 (4th Cir. Mar. 29, 2001) (Social Security decision vacated when it failed to identify the evidence, inferences therefrom, or legal standards that were relied on in arriving at a decision); *Cook v. Heckler*, 783 F.2d 1168, 1172–73 (4th Cir. 1986) (vacating Social Security decision when the ALJ merely provided a list of possible facts, and referred to a list of possible legal grounds, without identifying which particular grounds or facts applied, and failed to provide any discussion applying the law to the facts).

the agency gives careful consideration of the issues, gives parties the opportunity to apprise the agency of any errors, and facilitates judicial review.[20]

Third, MPEP § 803(I)(B), § 803(II) ¶ 4, and § 806.01 requires that the examiner

- identify the specific one of the three grounds of form paragraphs 8.21.01 through 8.21.03 or .04 (depending on circumstances), and then
- "provide reasons and/or examples to support conclusions" of "unduly extensive and burdensome search," for example, by "appropriate explanation of separate classification, or separate status in the art, or a different field of search."

This showing of "reasons and/or examples" is absent from Examiner's October 3, 2008 paper. The Examiner's paper of October 3, 2008 gives a conclusory laundry list of possible grounds, without even identifying which of the five listed grounds applies, let alone identifying facts applicable to that ground, or the "show[ing] by appropriate explanation" required by MPEP § 808.02. Agency actions are void – that is, they have no legal existence – when an agency fails to make the showings required in the agency's own procedural handbook.[21] No restriction requirement exists.

The requirement of MPEP § 803(II) is merely a specific instance of the showing required by 5 U.S.C. § 555(e), the provision of the Administrative Procedure Act that governs written decisions of all agencies. § 555(e) requires the PTO to identify both the legal basis on which it acts, and the facts that support conclusions, and some application of the law to the facts.[22] The statement of reasons must satisfy these criteria:[23]

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[20] *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731, 737 (D.C. Cir. 2001) (applying 5 U.S.C. § 555(e) to an informal adjudication, *citing State Farm* 463 U.S. at 43).

[21] *Service v. Dulles*, 354 U.S. 363, 388-89 (1957) (vacating agency action issued in violation of guidelines stated in an unpublished agency manual); *Reuters v. F.C.C.*, 781 F.2d 946, 950-51 (D.C. Cir. 1986) ("*Ad hoc* departures from [an agency's] rules, even to achieve laudable aims, cannot be sanctioned"). An action taken in violation of "applicable departmental regulations" is "illegal and of no effect." *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959); *IMS, P.C. v Alvarez*, 129 F.3d 618, 621 (D.C. Cir. 1997) (it is a "well-settled rule that an agency's failure to follow its own regulations is fatal to the deviant action"); *Dodson v. Dept. of the Army*, 988 F.2d 1199, 1204 (Fed. Cir. 1993) (once an agency promulgates regulations, it is bound to follow them). Because the Office Action departs from PTO regulations, it is simply void.

[22] *Motor Vehicle Mfrs. Ass'n v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 48, 50 (1983) requires that an agency give an explanation for its action, The statement of reasons must satisfy these criteria:

> A court must set aside agency action it finds to be "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law," 5 U.S.C. § 706(2)(A). At a minimum, that standard requires the agency to "examine the relevant data and articulate a satisfactory explanation for its action including a 'rational connection between the facts found and the choice made.' " *Motor Vehicle Mfrs. Ass'n of United States, Inc. v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (*quoting Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 168 (1962)).

The Examiner's paper merely lists five possible grounds (two of which are illegal, as discussed above), and invites Petitioner to read the Examiner's mind to determine which of the five might apply, and what facts might support that ground. The Examiner's October 3, 2008 paper makes no attempt whatsoever to provide any statement of the application of the law to the facts, or to

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> [A]n agency must cogently explain why it has exercised its discretion in a given manner. . .
>
> A "fundamental" requirement of administrative law is that an agency "set forth its reasons" for decision; an agency's failure to do so constitutes arbitrary and capricious agency action. That fundamental requirement is codified in section 6(d) of the APA, 5 U.S.C. § 555(e). Section 6(d) mandates that whenever an agency denies "a written application, petition, or other request of an interested person made in connection with any agency proceeding," the agency must provide "a brief statement of the grounds for denial," unless the denial is "self-explanatory." This requirement not only ensures the agency's careful consideration of such requests, but also gives parties the opportunity to apprise the agency of any errors it may have made and, if the agency persists in its decision, facilitates judicial review. Although nothing more than a "brief statement" is necessary, the core requirement is that the agency explain "why it chose to do what it did."

See also *Harborlite Corp v. Interstate Commerce Comm'n*, 613 F.2d 1088, 1092 (D.C. Cir. 1979) ("One basic procedural safeguard requires the administrative adjudicator, by written opinion, to state findings of fact and reasons that support its decision. These findings and reasons must be sufficient to reflect a considered response to the evidence and contentions of the losing party and to allow for a thoughtful judicial review if one is sought.").

[23] *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731, 736–37 (D.C. Cir. 2001) (citations, quotations, and footnotes omitted); *see also Dr. Pepper/Seven-Up Companies Inc. v. Federal Trade Comm'n*, 991 F.2d 859, 864–65 (D.C. Cir. 1993) (agency's "conclusory dismissal" that failed to consider key evidence and a key claim was "wholly inadequate" and "leaves too many questions unanswered to qualify as reasoned decisionmaking"); *Moon v. U.S. Dep't of Labor*, 727 F.2d 1315, 1318 (D.C. Cir. 1984) ("To fulfill its function under any appropriate standard of review, however, a court must be able to ascertain the reasons for an agency's decision. We cannot determine whether an agency has acted correctly unless we are told what factors are important and why they are relevant. Therefore, an agency must provide a reasoned explanation for its actions and articulate with some clarity the standards that governed its decision."); *Arnold v. Sec'y of Health Educ. & Welfare*, 567 F.2d 258, 259 (4th Cir.1977) ("Unless the [ALJ] has analyzed all evidence and has sufficiently explained the weight he has given to obviously probative exhibits, to say that his decision is supported by substantial evidence approaches an abdication of the court's duty to scrutinize the record as a whole to determine whether the conclusions reached are rational"), *quoted in Dante Coal Co. v. Director, Office of Workers' Compensation Programs*, 164 Fed. Appx. 338, ___ (4th Cir. 2006) (unpublished).

otherwise apprise Petitioner of the PTO's basis for decision. No agency can do this. The burden is ***always*** on the agency to identify the grounds on which it imposes a requirement, and to give some explanation for its action.

The October 2008 restriction requirement must be withdrawn. Examiner Subramanian should be instructed that any restriction requirement must include a specific showing, as required by MPEP § 803(I)(B), § 803(II) ¶ 4, and § 806.01.

I. The Requirement to Cancel Claims is Illegal, and Demonstrates Examiner Subramanian's Lack of Familiarity with PTO Restriction Procedure

The Examiner's paper of October 3, 2008, page 2 ¶ 1, states: "For the response to be complete, Applicants are respectfully requested to cancel the non-elected claims 28-30, 53-55 and 60-73 in their reply to this office action." **The Examiner has no authority to issue such a requirement.** Nowhere in the MPEP or any other published document does the PTO grant examiners the authority to make such requests. Rather, PTO rules give all applicants the right to have non-elected claims examined under the procedures of 37 C.F.R. § 1.142(b) and § 1.144. The Examiner has no authority to request that Petitioner abandon these procedural protections against examiner error.

Examiner deviation from MPEP procedures, creation of new "requirements" that have no support in the MPEP, and deprivation of applicants' substantial substantive and procedural rights, suggests that Examiner Subramanian is not familiar with PTO procedure relating to restriction practice, in this aspect or any other.

The entire restriction portion of the Examiner's October 3, 2008 paper reflects this lack of understanding. The restriction should be vacated, with instructions to Examiner Subramanian to examine the application in conformance with those MPEP procedures for which the PTO has laid the legal groundwork. Examiner Subramanian should be instructed that he does not have the authority to disregard the MPEP, or to impose grounds for restriction not stated in documents that have gone through all necessary rule making procedures.

II. Final Rejection is Premature—Prosecution Should be Reopened

Finality of the Examiner's paper of October 3, 2008 should be withdrawn. Petitioner should be given an opportunity to fully reply to the new positions stated for the first time in the

Examiners' October 2008 paper, and a new Office Action should be issued that reflects *bona fide* effort of the Office to advance prosecution.

A. Premature Final Rejection is Petitionable, Not Appealable

The issues raised, and the relief requested, confirm that this Petition is directed to petitionable subject matter. MPEP § 706.07(c) instructs as follows:

> **706.07(c) Final Rejection, Premature**
>
> Any question as to prematureness of a final rejection ... is purely a question of practice, wholly distinct from the tenability of the rejection. It may therefore not be advanced as a ground for appeal, or made the basis of complaint before the Board of Patent Appeals and Interferences. It is reviewable by petition under 37 C.F.R. 1.181. See MPEP § 1002.02(c).

A long string of decisions of the Board of Patent Appeals and Interferences concurs that premature finality is never appealable. *Ex parte Fine*, 217 USPQ 76, 79 (Bd. Pat. App. 1981) (precedential) ("We are likewise not concerned with the allegedly premature nature of the final rejection... This is an administrative matter subject to petition, not a substantive matter within our jurisdiction."); *Ex parte Secor*, http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd981052 (BPAI 2002) (unpublished) (premature final rejection "is reviewable by petition to the Director rather than by appeal to this Board.").

Finally, a precedential, published decision of the Commissioner of Patents and Trademarks (now the Director), holds that where the sole relief requested is reopening of prosecution – as in this petition – the issues are petitionable, ***even if*** they involve some consideration of the merits. *In re Oku*, 25 USPQ2d 1155, 1157 (Comm'r Pats and TM 1992) (emphasis supplied):

> The designation of a new ground of rejection, while involving a consideration of the merits, also involves the important question of whether the Board followed PTO regulations established by the Commissioner....
>
> A decision to reopen prosecution ... is a question solely within the discretion of the Commissioner and is in no way a review of a merits decision ....

B. This Petition is Timely After Reconsideration by the Examiner

Petitioner requested reconsideration of the finality issue in the Reply of March 4, 2009 (see pages 4-7). The Examiner's Advisory Action of May 5, 2009 maintains finality, but is ***dead silent*** on the issue, and fails to answer all material traversed.

C. Procedural History Relevant to Premature Final Rejection

On November 1, 2006, Examiner Chencinski issued a non-final paper. This action violated a number of procedural provisions of the MPEP, and invented new legal tests that have no grounding in any written document. Examiner Chencinski did not follow the MPEP, or any other guidance for examiners.

In emails and telephone conferences around this time, Petitioner drew the Office's attention to a number of errors in Examiner Chencinski's paper of November 1, 2006 that affected Petitioner's ability to reply. This is described in more detail in Petitioner's paper of May 1, 2007, at pages 42-43. Therefore, pursuant to MPEP § 710.06, Examiner Chencinski's paper of November 1, 2006 became void until it was remailed. The Examiner's paper of October 3, 2008 appears to be that remailing.

Petitioner filed a further amendment on May 1, 2007, amending the claims. This paper observed that the November 1, 2006 paper was withdrawn because of its procedural inadequacies. The PTO apparently does not dispute that Examiner Chencinski's paper of November 1, 2006 was inadequate to advance prosecution, and breached PTO procedures: the PTO removed Examiner Chencinski in the fall of 2007.

The Examiner mailed another paper on October 3, 2008. Under MPEP § 710.06, this is not a new Action, this is a remailing of the November 2006 Action, and should likewise be non-final. Also, as discussed in detail below, the Examiner's October 2008 paper omits consideration of required issues, and raises new grounds of rejection of unamended claims.

D. Final Rejection is Premature Because the Claims Have Not Been Examined

If the restriction requirement is withdrawn for any reason discussed in § I above, then the application as a whole has not been examined, and final rejection is premature.

E. Legal Standard for Final Rejection and Definition of the Term "New Ground of Rejection"

MPEP § 706.07(a) reads as follows, in pertinent part:

706.07(a) Final Rejection, When Proper on Second Action

> [¶ 2] Under present practice, second or any subsequent actions on the merits shall be final, except where the examiner introduces a new ground of rejection that is [not] necessitated by applicant's amendment of the claims...

MPEP § 706.07(a) imposes two separate requirements before prosecution may be closed: (a) all requirements of "present practice" must be timely completed, and (b) no new ground of rejection may be raised, unless necessitated by amendment.

The MPEP, in turn, refers the reader to the case law for a definition of "new ground of rejection." MPEP § 1207.03(III) (expressly deferring to the *Kronig* line of case law for the definition of the term "new ground").

The legal term "new ground of rejection" is defined as any "position or rationale new to the proceedings" (including new evidence, citation to a new portion of existing evidence, a new inference drawn from an existing reference, a new legal theory, or a new application of law to facts).[24] A "ground of rejection" is "not merely the statutory requirement for patentability that a claim fails to meet but also the precise reason why the claim fails that requirement."[25] A new factual finding or inference, or a new application of the law to the identical facts, is a "new ground of rejection."[26] A new supporting position or rationale is a "new ground," even if it is

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[24] *In re DeBlauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) ("Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale" to the full extent permitted by the relevant rule), *citing* 37 C.F.R. § 1.196(b); *In re Kronig*, 539 F.2d 1300, 1302-03, 190 USPQ 425, 426 (CCPA 1976), *citing In re Eynde*, 480 F.2d 1364, 1370-71, 178 USPQ 470, 474 (CCPA 1973) ("We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale [to the full extent permitted by the relevant rule]. This court so held in *In re Moore*, [444 F.2d 572, 170 USPQ 260 (CCPA 1971)], and we expressly reaffirm that view. The board's refusal to consider evidence which responds to such a new rationale is error."); *Ex parte Teeple*, Appeal No. 97-0943, 1997 WL 1883925 at *2-3, http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd970943 at 7, 9 (BPAI Feb. 17, 1998) (new explanation for § 112 ¶ 2 rejection of same claim language is "new ground" of rejection).

[25] *Hyatt v. Dudas*, 551 F.3d 1307, 1312–13, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008) (rejecting the PTO's contention that "ground of rejection" is limited to "merely the statutory section").

[26] *In re Moore*, 444 F.2d 572, 574-75, 170 USPQ 260, 263 (CCPA 1971) (any new "finding of a new fact," even from the same reference, even solely in support of an alternative to the pre-existing rationale, requires that the applicant be given an opportunity to respond), *reaffirmed by Kronig*, 539 F.2d

simply offered to buttress a previous analysis or inference.[27] Any notion that a "new ground" requires a new reference or shift from one statutory section to another has been expressly rejected by the Federal Circuit, the CCPA, and by the Board, and is inconsistent with the plain language of MPEP § 706.07(a), which treats them as separate but overlapping concepts.[28]

The Federal Circuit and CCPA have several times declined to create any exception for new grounds raised by an examiner in response to an applicant's arguments – any new "position or rationale new to the proceedings" is a "new ground" that prevents final rejection, even if that new position or rationale is expressed by the PTO in response to a new argument from the applicant.[29]

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at 1303, 190 USPQ at 427; *see also In re Meyer*, 599 F.2d 1028, 1031, 202 USPQ 175, 179 (CCPA 1979) (holding that the Board's § 102 rejection is a "new ground of rejection" even though based on the same art as the examiner's § 103 rejection).

[27] *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (a new calculation applied to a reference is not "simply an additional explanation of the Board's decision," it is a new ground of rejection); *In re Waymouth*, 486 F.2d 1058, 1061, 179 USPQ 627, 629 (CCPA 1973) ("merely advanc[ing] 'an additional reason' for affirming the examiner" is a "new rejection"), *modified* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427.

[28] *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005); *In re Ahlert*, 424 F.2d 1088, 1098, 165 USPQ 418, 421 (CCPA 1970) (new facts based on an existing reference are a new ground of rejection, even if cast as "official notice"); *In re Bulina*, 362 F.2d 555, 558-59, 150 USPQ 110, 113 (CCPA 1966), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427; *In re Intine*, 162 USPQ 192, 192 (Comm'r of Patents 1969) (a shift from references A and B to references A, B and C, where C had previously been relied upon but not applied, prevented final rejection).

[29] *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051-52 (Fed. Cir. 2005) (Board's new analysis of the identical disclosure, by calculating new derived values from those expressly disclosed in the reference, was a "new ground"); *In re DeBlauwe*, 736 F.2d 699, 705-06, 222 USPQ 191, 196-197 (Fed. Cir. 1984) (when an applicant has argued a point, the examiner and Board are obligated to respond to those arguments, and their new response requires giving an applicant a new opportunity to respond):

> ... Appellants complain, however, that the PTO challenges their assertions of unexpected results for the first time in the Solicitor's brief. ...
>
> Despite appellants' arguments throughout prosecution that heat shrinkable articles with the claimed expansion ratios overcome the longstanding splitting problem, the board and the examiner merely concluded that these ratios would have been obvious without properly responding to appellants' allegations of unexpected results. ... if the board or the examiner had considered this point when the case was pending before them and had pointed out that there was no objective evidence of unexpected results, appellants would, at least, have had notice and would have had an opportunity to file objective evidence.[9] Neither the board nor the examiner, however, gave such notice, and, therefore, appellants were led to believe, albeit erroneously, that they had satisfied their burden of going forward with objective evidence to rebut the prima facie case of obviousness. ... In view of the PTO's failure to challenge the sufficiency of appellants'

An examiner's silence in an earlier paper can lead to a finding of a "new ground of rejection" if subsequent events make relevant any reply that an applicant would have raised had the examiner not been silent.[30]

The Federal Circuit's interpretation of "ground of rejection" flows from the fact that the PTO "bears the initial burden ... of presenting a *prima facie* case of unpatentability"[31]

F. The October 2008 Paper Raises Three New Grounds of Rejection Under § 101

As noted in Petitioner's paper of February 2007, Examiner Chencinski's paper of November 1, 2006 mentioned § 101 and claims 1-118 under the "useful, concrete and tangible" test for patentable subject matter of *State Street.*

In contrast, the Examiner's paper of October 3, 2008 raises the following new grounds of rejection:

- A § 101 "utility" rejection at page 4. This is entirely separate from any "subject matter" issue raised previously.
- Examiner Subramanian asserts that "functional descriptive material, per se, is not statutory." (Examiner's paper of October 3, 2008, page 4, line 5.) This issue was not raised in Examiner Chencinski's paper of November 1, 2006. (Further, Examiner Subramanian's statement has no grounding in any written document – Examiner Subramanian is making up the law out of whole cloth.)

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rebuttal evidence until this appeal, when appellants could no longer offer evidence, we conclude that it is necessary to vacate the board's decision... and to remand the case to afford appellants the opportunity to submit objective evidence of unexpected results.

[9] Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence. *In re Eynde*, 480 F.2d 1364, 178 USPQ 470 (CCPA 1973). Accordingly, if the board or the examiner in this case had stated that there was no objective evidence, appellants would have been entitled to respond by filing such evidence.

[30] *Ex parte Mathur*, Appeal No. 95-4103, 1996 WL 1795838 at *9, http://www.uspto.gov/go/dcom/bpai/decisions/fd954103.pdf at 20-21 (BPAI June 26, 1996). See also quote from *In re DeBlauwe* in footnote 24.

[31] *Hyatt v. Dudas*, 551 F.3d 1307, 1313, 89 USPQ2d 1465, 1469 (Fed. Cir. 2008); 35 U.S.C. § 102 (patent "shall" be granted, "unless" PTO establishes unpatentability); 37 C.F.R. §§ 1.104, 1.113 (actions must be "complete" and "clearly state" reasons); *see also In re Oetiker*, 977 F.2d 1443, 1449 (Fed. Cir. 1992) (Plager, J., concurring) ("The examiner cannot sit mum, leaving the applicant to shoot arrows into the dark hoping to somehow hit a secret objection harbored by the examiner.").

- "Physical transformation" is raised as a new issue for the first time at page 5, line 9, and page 7, lines 15-17.

Under the definition of new "ground of rejection" of *Hyatt v. Dudas*, each of these are new grounds of rejection not necessitated by amendment, requiring withdrawal of premature final rejection.

G. The Examiner's Paper of October 3, 2008 Raises New Grounds of Rejection Under § 112 ¶ 2

Examiner Chencinski's paper of November 1, 2006 raises a § 112 ¶ 2 issue as follows:

> 3. **Claims 1-125 are rejected under 35 U.S.C. 112, second paragraph,** as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The steps for originating a lease, analyzing a lease, and managing a lease, critical or essential to the practice of Applicant's invention, are not recited in the claim(s). Omission of such steps in a method claim make the claim indefinite because it is unclear how to implement the steps of the invention.
>
> Correction is required.

That is, the "precise ground" stated in Examiner Chencinski's paper of November 1, 2006 was an "omitted essential element" ground, directed to MPEP § 2172.01, based on language that is **not** in the claim.

In contrast, Paragraph 3 Examiner Subramanian's paper of October 3, 2008 reads as follows:

> Independent claims 1, 2, 31, 74, 102, 130, 133, 140, 154, 161, and 179 recite the limitation "wherein at least some portion of the improvements lease is performed with assistance of a computer". Independent claims 56, 93, 119, 158, and 172 recite the limitation "wherein at least some portion of the lease is performed with assistance of a computer". Also independent claim 148 recites the limitation "wherein at least some portion of leasing the shorter-lived asset is performed with assistance of a computer". Similarly independent claim 180 recites the limitation "wherein at least some portion of soliciting, originating, managing, or analyzing the improvements lease is performed with assistance of a computer". Claim 181 recites the limitation "hardware and/or software designed to assist a tenant in entering an improvements lease".
>
> Firstly, it is not clear as to what portion of the lease is performed with assistance of a computer.

> Secondly it is not clear as to what specific aspect of the lease is performed with assistance of a computer. Finally it is not clear as to what the Applicants mean by the limitation "performed with assistance of a computer". It is not clear what the term "assistance of a computer" entails. The metes and bounds of this limitation are unclear. In view of these reasons the scope of the claim is unclear. Similar reasoning applies for claims 148, and 180. Similarly in claim 181 it is

There are a number of "new grounds" here. Note that all of them are directed to language that **is** in the claims, not language that is **omitted** from the claims, as in Examiner Chencinski's paper of November 1, 2006:

- The "Firstly" ground, directed to "alternative language" is nowhere suggested in Examiner Chencinski's paper of November 1, 2006. This is a new ground of rejection of an unamended claim, and not necessitated by amendment.
- There is no mention of the claim language "assistance of a computer" in Examiner Chencinski's paper of November 1, 2006, let alone any rejection directed to it. This is a new ground of rejection of an unamended claim, and not necessitated by amendment.

These shifts of grounds are "new grounds of rejection" that prevent final rejection.

In the Office Action of October 3, 2008, Claims 1-27, 31-52, 56-59 and 74-181 were rejected for the first time under 35 U.S.C. 112, 2nd paragraph. This is a new ground of rejection for Claims 1-27, 31-52, 56-59 and 74-125 which were previously pending before the November 1, 2006 incomplete Office Action. The October 3, 2008 Office Action is the first Office Action on the merits in response to the paper filed May 1, 2007 requesting a complete Office Action under MPEP § 710.06. Since the Office Action of November 1, 2006 was not complete for all the reasons Applicant set forth in the papers filed February 26, 2007 and May 1, 2007 and incorporated in later filed papers, the Office Action of October 3, 2008 must be treated as the **first** action on the merits, not the second action on the merits. Thus, it is improper to make the October 3, 2008 Office Action final. The piece meal examination prior to the request for a complete office action filed May 1, 2007 can not be relied upon as a first action to make the October 3, 2008 Office Action final. Though the claims were amended in the May 1, 2007 paper, there was no complete first action prior to the amendments. Thus, the October 3, 2008 Action is not a second action. The rejection of Claims 1-27, 31-52, 56-59 and 74-125 under 35 U.S.C. 112, 2nd paragraph constitutes a new ground of rejection that was not necessitated by

Applicant's amendment of the claims following a proper first action. As such, the finality of the Office Action of October 3, 2008 is improper and should be withdrawn.

H. The Examiner's Paper of October 3, 2008 Illegally Relies on a PTO Document that, by PTO Written Rules, is Not to be Relied On

At pages 7-8, the Examiner's paper of October 3, 2008 relies on a non-precedential opinion, *Ex parte Bilski*, Appeal No. 2002-2257. This is illegal. The Administrative Procedure Act forbids agencies from citing non-precedential opinions against any party but the agency itself:

5 U.S.C. § 552. Public information; agency rules, opinions, orders.

> (a)(2) . . . A final order, opinion, statement of policy, interpretation, or staff manual or instruction that affects a member of the public may be relied on, used, or cited as precedent by an agency against a party other than an agency only if—
>
> (i) it has been indexed and either made available or published as provided by this paragraph; or
>
> (ii) the party has actual and timely notice of the terms thereof.

In a Board decision by Pat Federico (the coauthor, along with Giles Rich, of the 1952 Patent Act), in which an examiner had cited a non-precedential decision, the Board observed that the prior unpublished decision could not be relied upon as binding authority for a decisions against an applicant.[32]

The Board cautions that only precedential decisions are to be cited against applicants. The Board's Standard Operating Procedure No. 2[33] specifically contrasts "precedential" opinions that may be cited pursuant to § 552 (SOP § VI) from "Informative" opinions which are not precedential, and therefore may not be cited as precedent against applicants.

More troubling, at page 7, the Examiner's October 3, 2008 paper cites *Ex parte Lundgren*, 76 USPQ2d 1385 (BPAI 2005) and notes, correctly, that *Lundgren* is precedential.

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[32] *In re Vossen*, 155 USPQ 109, 110 (POBA 1967) (Federico, EIC). A minority of the Board still understands this principle. *Ex parte Jalett*, Appeal 2001-0421, http://des.uspto.gov/Foia/RetrievePdf?system=BPAI& flNm=fd010421 at 23, 2006 WL 2523666 at *10 (BPAI Feb. 27, 2003) (non-precedential) (Garris, dissenting) ("The majority expressly characterizes *Ex parte Erlich* (which was authored by one of the majority panel members) as nonprecedential. By its very nature, a non-precedential opinion does not and cannot provide legal support for this rejection.")

[33] Board of Patent Appeals and Interferences, Standard Operating Procedure No. 2, Publication of opinions and binding precedent, revision 7 (March 23, 2008), http://www.uspto.gov/web/offices/dcom/bpai/sop2.pdf

The October 3, 2008 paper cites *Lundgren* for pages 1407-08. But – the October 3, 2008 paper does ***not*** indicate that pages 1407-08 are from the ***dissent***, that is, a statement of what the law is ***not***. If a party made this kind of baldly misleading representation to a court, the party would be sanctioned. Citing a dissenting opinion as if it is precedent is unethical conduct. It is an illegal act that requires that the Examiner's paper be vacated.

Because the § 101 portion of the Examiner's October 3, 2008 paper relies on a decision that may not be cited as precedent, the paper was issued outside the scope of the Examiner's authority. This paper must be withdrawn.

I. The Law Has Changed, so the PTO Must Reexamine the Application before Appeal Commences

After the date of the Examiner's paper of October 3, 2008, on October 30, 2008, the Federal Circuit issued its *en banc* decision in *In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385 (Fed. Cir. 2008). *Bilski* largely abrogated the law set forth in the Examiner's October 3, 2008 paper.

MPEP 706.07entitled Final Rejection states:

> Before final rejection is in order **a clear issue** should be developed between the examiner and applicant.
>
> ***
>
> The examiner should never lose sight of the fact that in every case the applicant is entitled to a **full and fair hearing**, and that a clear issue between applicant and examiner should be developed, if possible, before appeal.
> (Emphasis added).

In the Office Action of October 3, 2008, Claims 1-27, 31-52, 56-59 and 74-181 were rejected under 35 U.S.C. 101 as directed to non-statutory subject matter. Claim 181 was rejected as inoperative and lacking utility, reference being made to the issue of statutory subject matter. On October 30, 2008, after the Office Action was issued, the Federal Circuit released an opinion in ***In re Bilski***, 545 F.3d 943 (Fed. Cir. 2008) regarding the law on statutory subject matter. Therefore, the Office Action and the rejections under 35 U.S.C. 101 rely upon an old and out of date statement of law. It is almost senseless for Applicant to have to address the rejections since they include improper statements of law. A **clear issue** can not have been reached as Applicant has no way of knowing what the position of the Office will be regarding the claims under the

new and proper statement of law. Applicant has not had a **full and fair hearing of the claims under the proper statement of law**. Thus, the best course of action is for finality of the Office Action to be withdrawn so the Applicant and examiner can discuss the claims applying the proper statement of law. It is requested that the finality of the Office Action be withdrawn.

At the very least, the application must be reexamined under the new ***Bilski*** legal standard, so that appeal may proceed on a reasonable footing. Because entirely new reasoning will be required for any rejection, any future § 101 rejections will be "new grounds not necessitated by amendment."

J. This is Only an MPEP § 710.06 Remailing of Examiner Chencinski's Paper of November 1, 2006, So it Cannot be Made Final

MPEP § 710.06 reads, in pertinent part:

> **710.06 Situations When Reply Period Is Reset or Restarted**
> Where the citation of a reference is incorrect or an Office action contains some other error that affects applicant's ability to reply to the Office action and this error is called to the attention of the Office … If the error is brought to the attention of the Office within the period for reply set in the Office action but more than 1 month after the date of the Office action, the Office will set a new period for reply, if requested to do so by the applicant, to substantially equal the time remaining in the reply period.
>
> …
>
> A supplementary action after a rejection explaining the references more explicitly or giving the reasons more fully, even though no further references are cited, establishes a new date from which the statutory period runs.

Examiner Chencinski's paper of November 1, 2006 was withdrawn pursuant to MPEP § 710.06, as explained more fully in Petitioner's paper of May 1, 2007, at pages 42-43. Since the Examiner's paper of October 3, 2008 is merely a remailing of the November 2006 paper, which itself was non-final, the Examiner's paper of October 3, 2008 is properly non-final.

III. Authorization for Email Communication and Conclusion

Petitioner hereby authorizes the USPTO to communicate with any authorized representative concerning this application by electronic mail.

The requirement for division should be vacated. The Examiner should be instructed that he is to examine the application in conformance with those provisions of the MPEP for which the

PTO has obtained full legal clearance. If any restriction is to be raised, it must be raised within those bounds.

Finality of the Examiner's paper of October 3, 2008 should be withdrawn. Petitioner should be permitted to fully reply to the new grounds of rejection raised in Examiner's paper of October 3, 2008

In the event that any extension of time is required, Petitioner petitions for that extension of time required to make this reply timely. Kindly charge any additional fee, or credit any surplus, to Deposit Account No. 50-3219, Order No. 1906-3-Pole.

Respectfully submitted,

LAW OFFICES OF DONNA L. ANGOTTI

Dated: July 6, 2009

By: Donna L. Angotti

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Related Proceedings Appendix to

Amendment and Reply to Office Action for Entry Under 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6, or for Entry Under 37 C.F.R. § 1.111 or § 41.33, or in the Alternative, Appeal Brief

NONE

Additionally, the legal standard to be applied is currently in flux, in view of *Bilski v. Kappos* currently pending at the Supreme Court.

For all these reasons, the application is not ripe for appeal, and should be remanded to the Examiner with instructions remitting the Examiner to the supervisory authority of the Director to "cause an examination to be made" so that it can be determined whether Applicants are "entitled to patent under the law," 35 U.S.C. § 131. The amendments presented in Claim Appendix Two to this paper should be entered.

Even if the appeal is allowed to go forward, the amendments in Claim Appendix Two must be entered for appeal, as discussed in §§ III.B and III.C starting at 12.

This paper is timely filed. The Examiner's paper of October 3, 2008 was prematurely final, and the time for reply was satisfied in March 2009 when a response was filed March 4, 2009. No time period is running, no further extension of time is required, and this paper (particularly the amendments of Claims Appendix Two) may be entered under 37 C.F.R. § 1.111 as of right with no extension of time. If the paper is an additional reply to non-final Office Action, no extensions are needed since all deadlines were met by the March 4, 2009 response. If this is a Reply Brief, an extension of time is requested in the following paragraphs. Thus, this paper is timely regardless of the status of proceedings. All fees including fees for appeal and extensions of time are authorized below to be charged to a deposit account.

PETITION FOR EXTENSION OF TIME ONLY IN THE EVENT THAT A PETITION FOR WITHDRAWAL OF PREMATURE FINALITY IS DENIED

Only in the event that the Petition filed July 6, 2009 and further Petition to the Director is denied, ***and*** the Deputy Commissioner for Examination Policy or Director of the Office of Patent Legal Administration give signed justification and concurrence[5] that the departures from

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[5] This request for signature of the Deputy Commissioner or OPLA arises pursuant to instructions of the President of the United States instructed the Examiner that he was only permitted to depart from MPEP §§ 794.01, 710.06 and 2107 only with "justification and supervisory concurrence." *Good Guidance Bulletin* (full cite in footnote 7) § II(1)(b). The PTO has the authority to delegate the power to grant "supervisory concurrence" to lower officials, so long as that delegation is displayed on the PTO's web site. The PTO's web site reflects no such delegation. Because there is no such delegation, it

MPEP procedure in the Examiner's paper of October 3, 2008 were authorized and that the October 2008 paper was properly final in spite of the defects noted, Applicant petitions for such extension of time to file an Appeal Brief. The Decision on the Pre-Appeal Brief of April 3, 2009 was dated May 5, 2009, set a one month deadline, and the time for filing the Appeal Brief with five month extensions under 37 CFR 1.136 extends through November 5, 2009. Only if and when the PTO gives the sign-off for the Examiner's departure from guidance in the manner discussed in footnote 5, kindly charge the petition fee for a five month extension of time for a small entity of $1,175.00 to Deposit Account No. 50-3219, Order No. 1906-3-Polestar.

Only in the event that the Petition filed July 6, 2009 and further Petition to the Director are denied, and ***if and only if*** the PTO gives the sign-off for the Examiner's departure from guidance in the manner discussed in footnote 5, then this paper is an Appeal Brief. In that case and only in that case, kindly charge the Appeal Brief fee of $270.00 to Deposit Account No. 50-3219, Order No. 1906-3-Polestar.

CONDITIONAL APPEAL BRIEF

Only in the event that the Petition filed July 6, 2009 and further Petition to the Director are denied, and if and only if the Technology Center Director signs off that the Examiner's paper of October 3, 2008 was a validly-issued paper and properly final in spite of the defects noted, then this paper is an Appeal Brief. The Board should remand the application to the Examiner pursuant to *Ex parte Braeken*, 54 USPQ2d 1110 (BPAI 1999).

AMENDMENTS TO THE CLAIMS begin at page begin on page 81 of this paper.

REMARKS/ARGUMENTS begin on page 8 of this paper.

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appears that waivers from MPEP procedures can only be authorized by those who have authority over the MPEP itself, which appear to be the Deputy Commissioner for Examination Policy or Director of the Office of Patent Legal Administration (or further higher-up officials) personally. The PTO has the authority to delegate of course, but that delegation must be in writing. Applicant waives retroactivity concerns on this issue—if the PTO belatedly complies with the President's instructions, Applicant will accept a sign-off from a validly-appointed Good Guidance officer lower than these two officials.

Respectfully submitted,

POLESTAR CAPITAL ASSOCIATES, LLC.

Dated: November 5, 2009

By: [signature]

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